

Instone Real Estate Group AG

Investor presentation
August 2021

Developing real estate with passion

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Key Investment Highlights

Investment Highlights

1. Leading German residential developer as key beneficiary of structural housing shortage

- **Top3 market position** on basis of nationwide platform: attractive land bank with focus on the Top 8 cities
- Strong in-house expertise and coverage of **entire value chain** (from acquisition to construction management) as competitive edge, reflected in **industry leading gross margins** (29.4% in H1 2021)

2. Secured project pipeline with GDV of €6.3bn provides high earnings visibility

- Gross development value (GDV) of €6.3bn (thereof €2.6bn under or pre-construction, €2.4bn already sold) **covers targeted revenues for the coming years**
- Future NAV (as of Q2) of c.€33.12 per share as indicates **intrinsic value of current development portfolio**
- Earnings outlook 2021 of €90-95m translates into **dividend yield of c. 2.1%**¹; significant growth potential

3. New innovative valuehome product promises step change in growth

- Market entrance in the mid-market segment, a significantly **undersupplied market with huge growth potential**
- Innovative, highly scalable product based on propriety planning technology with **unrivalled low production costs**
- Major driver for **strong targeted top line growth to €1.6-1.7bn mid-term** (2021: €820-900m)

4. Strong balance sheet as sound foundation (Net debt/adj. EBITDA: 1.3x) for sustainable growth

5. Highly experienced management as major success factor (opportunities and risk management)

Proven track record of 30 years

>1 million sqm

Successfully developed and marketed since 1991

Management team

with a proven track record of >40 years of value generation

~€6.3bn

GDV project portfolio as of 30/06/2021

8 branches + HQ

Presence in all German metropolitan regions

>430 employees

as of 30/06/2021

First mover in building up a nationwide residential developer platform in Germany

Focus on developing **modern, urban, multi-family, residential buildings**

Established operating platform with **ability to achieve further scale gains**

Attractive project portfolio and identified acquisition opportunities underpinning strong and profitable growth

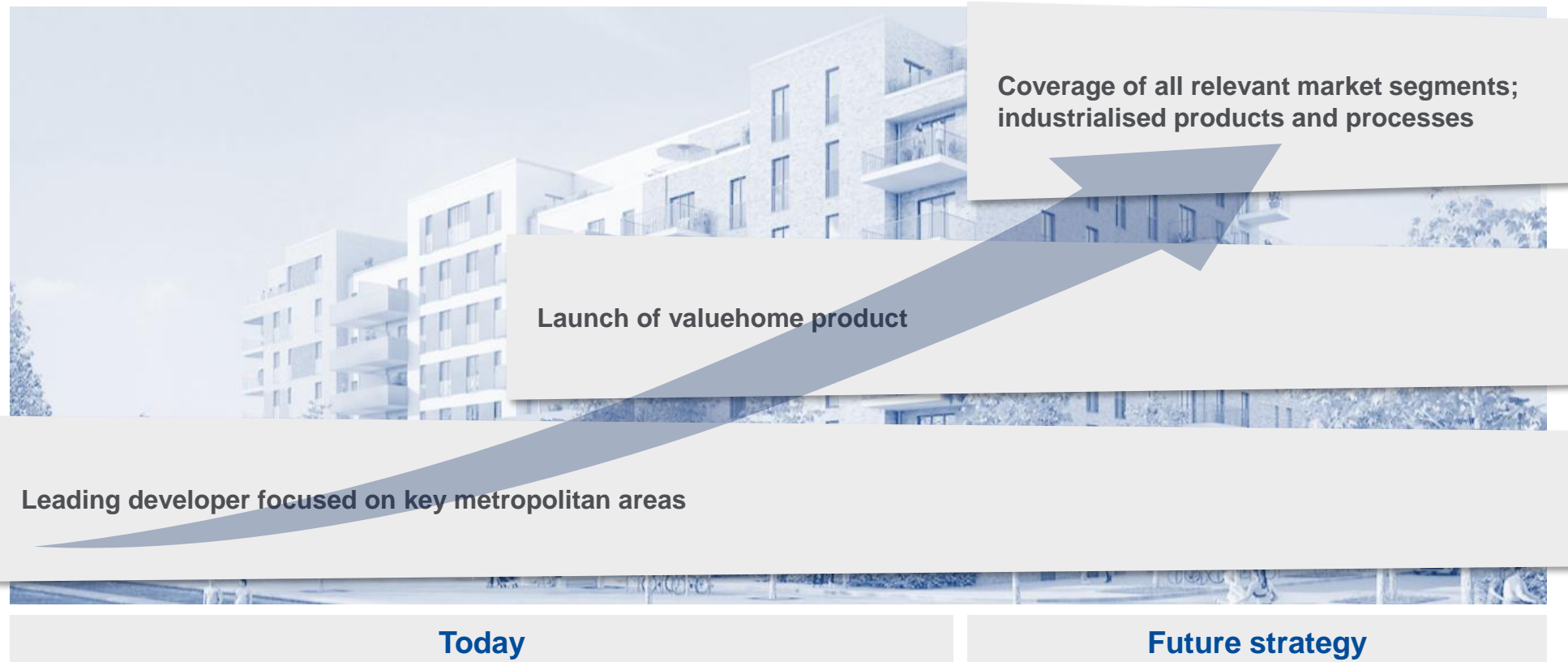
Prudent approach to risk management Proprietary and tailored management information system

Diligent site selection criteria leading to **attractive and consistent returns**

Covering the Entire Value Chain with Deeply Rooted Construction Expertise



We strive to become the No.1 German homebuilder with a view to industrialising products and processes



Q2 2021 Highlights

Highlights

Strong business performance reflects sound underlying fundamentals

Operational Highlights

- ✓ **Sales:** Strong retail sales slightly ahead of plan; Several institutional deals close to signing
 - ✓ Positive HPI trend persists
- ✓ **Acquisitions:** 6 new projects with (GDV > €600m) approved YTD; pipeline with GDV of ~€1.0bn under exclusivity
- ✓ **Construction:** Actively managing supply bottlenecks for certain materials, experiencing selected albeit minor delays, rising material costs more than offset by positive HPI momentum
 - ✓ FY 2021 construction costs are largely fixed (incl. material costs)

Sustained high gross margins – positive price trend and support from sales mix

H1-2021 Results

- ✓ Adjusted revenues: €260.5m (H1 2020: €179.6m, +45.0%)
- ✓ Adjusted gross profit margin: 29.4% (H1 2020: 32.2%)
- ✓ Adjusted EBIT margin: 15.8% (H1 2020: 15.7%)
- ✓ Adjusted earnings after tax (EAT): €23.4m (H1 2020: €13.7m; +70.8%)

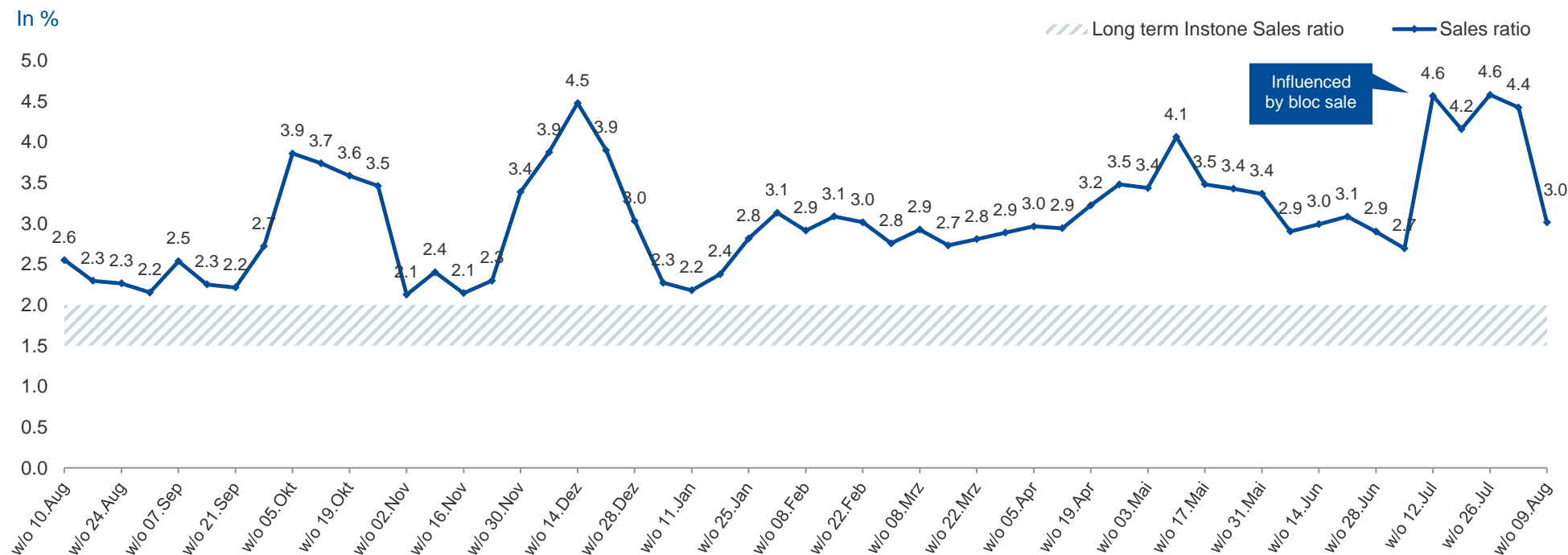
Well on track for FY 2021 targets – guidance reiterated

Outlook

- ✓ Adj. revenues of €820-900m;
- ✓ Adj. gross profit margin of 26-27%;
- ✓ Adj. EAT of €90-95m;
- ✓ Target payout-ratio: 30%

Retail sales ratio stays significantly above long term mean

Sales ratio



- ✓ Retail sales ratio stays significantly above long term mean since end of 1st lockdown
- ✓ Positive HPI growth momentum persists; upside pressure on prices during sales processes of several projects
- ✓ Strong backlog of reservations and notarization appointments

German residential prices: dynamic upward trend continues

Recent data points/surveys show only slight growth deceleration

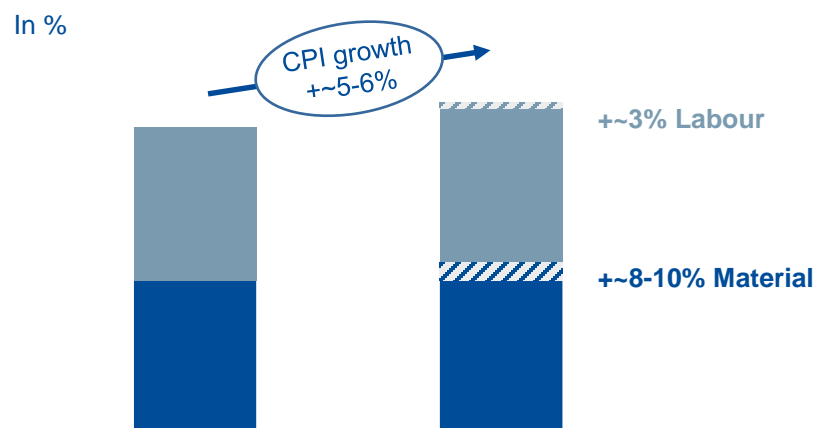
VDP:	Condo prices in top 7 cities +3.3% in Q2 (qoq); +9.7% (yoy)
Hypoport/EPX:	Condo prices up +3.8% in Q2 (qoq); +14.3% (yoy)
IMX (immoscout):	Prices for newly built condos up +4.0% in Q2 (qoq); +10.3% (yoy)

Financing markets continue providing strong support for residential demand

Bundesbank:	Mortgage loans for private households still on record high in Q2 2021 at €72.5bn; +4.0% yoy
Interhyp:	Average 10year fixed rate mortgage <1%, slightly decreasing due to lower bond rates

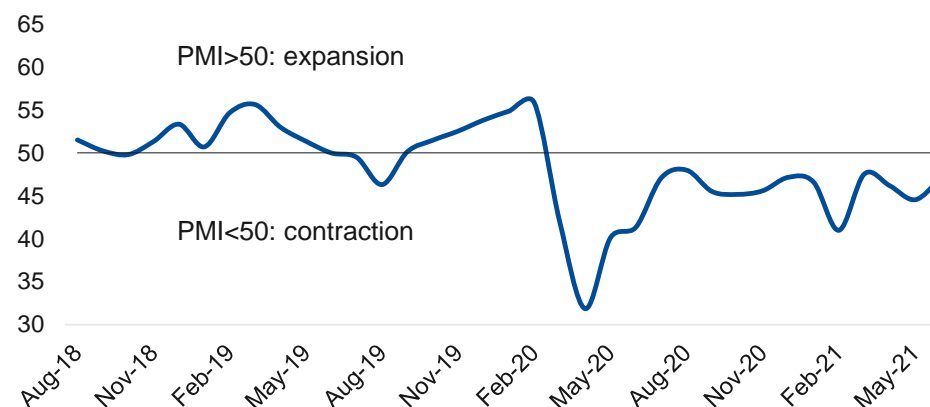
Rising material costs – Momentum decelerating

Construction costs development 2021e



- ✓ Material costs continue to rise but at a decelerating pace (prices for lumber even dropped sharply recently)
- ✓ Actively managing supply bottlenecks for certain materials, experiencing selected albeit minor delays in construction progress for certain projects
- ✓ Only moderate increase in labour costs reflecting decreasing demand for commercial projects and improved negotiation power (decreasing margins of contractors)
 - ✓ German construction PMI still in contraction mode (see chart) due to sluggish commercial demand

Germany Construction PMI



INS comparatively well positioned in a market with rising scarcity

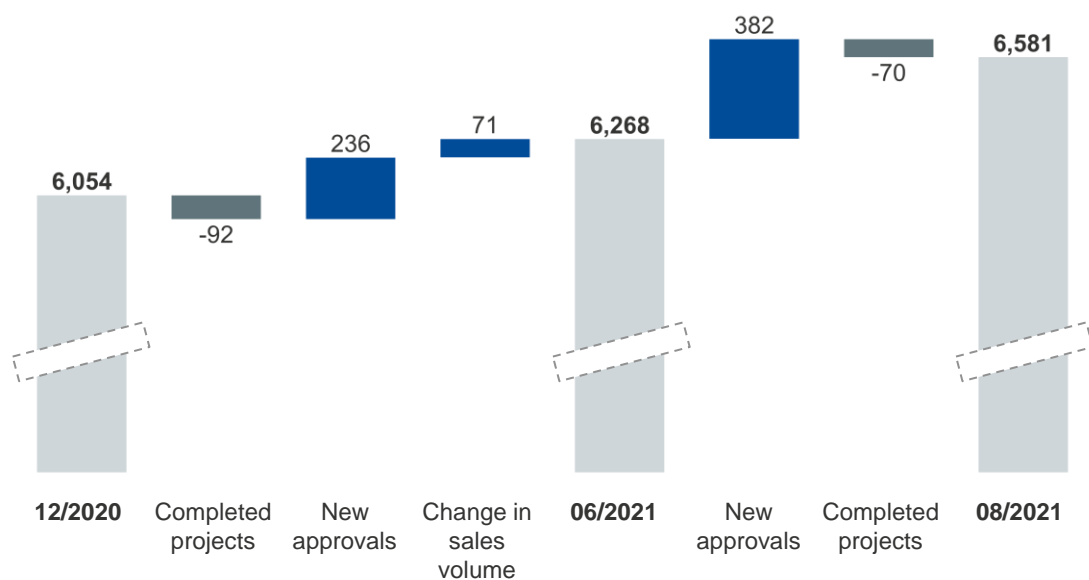
- ✓ High share of single awarding offers higher flexibility in the steering of the construction process (unlike most other competitors)
- ✓ Procurement strategy of early order placements is paying-off
- ✓ Strong network of suppliers (relationships & leading market position)
- ✓ Approx. 85% of 2021 construction costs contractually fixed.
- ✓ Margin sensitivity: each pp of material cost increases above 3.5% p.a. translates into approx. 20bp of gross margin decline (assuming no HPI growth)

Portfolio Update

Promising deal pipeline paves way for future growth

Project portfolio development, ytd (GDV)

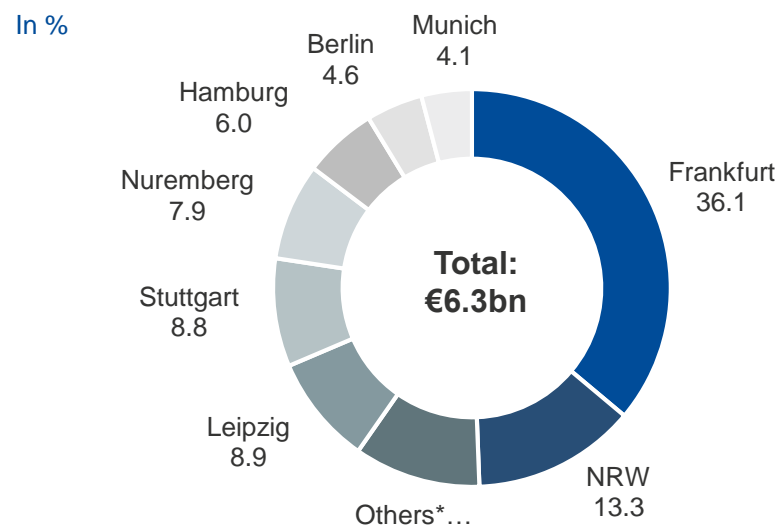
In €m



New project approvals	Exp. sales volume (€m)	Exp. units
YTD 2021		
Metropolitan area Stuttgart	70	160
Metropolitan area Nuremberg	111	180
Metropolitan area Rhine-Main	55	100
Metropolitan area Nuremberg	68	160
Metropolitan area Rhine-Main	283	600
Metropolitan area Rhine-Main	31	50
TOTAL	618	1,248

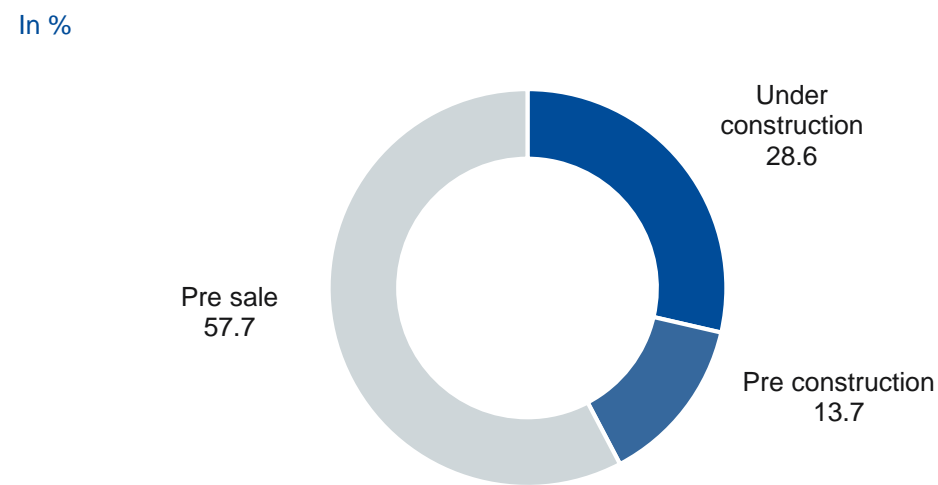
Significant share of pre-sold units supports future cash flow and earnings visibility

Project portfolio as of 30/06/2021 by region (GDV)



- ✓ 52 projects / 14,338 units
- ✓ 90% in metropolitan regions
- ✓ ~80 average sqm / unit
- ✓ ~€5,272 ASP / sqm

Project portfolio as of 30/06/2021 by development (GDV)



- ✓ €2.6bn GDV in “pre-construction” or “under construction” state of which 92% (€2.4bn) already sold
- ✓ €1.8bn GDV in “under construction” state of which 92% (€1.6bn) sold

Q2 2021 Financial Performance

Adjusted Results of Operations

High profitability maintained

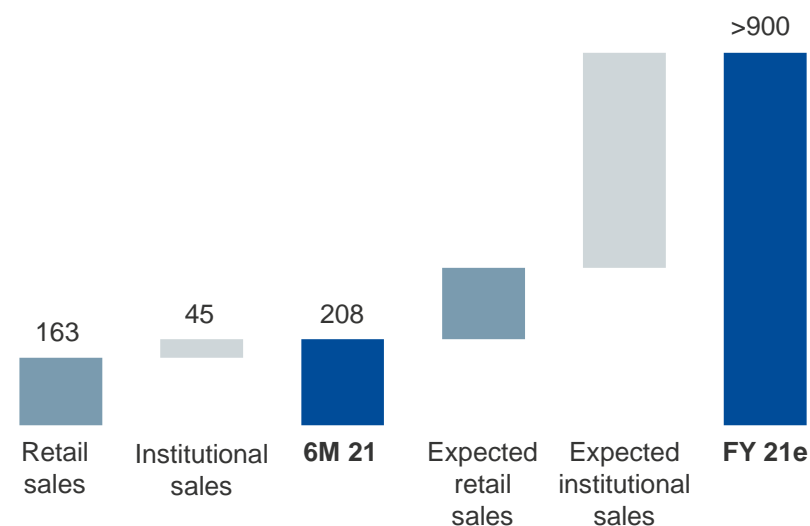
€m	Q2 2021	Q2 2020	Change	H1 2021	H1 2020	Change
Revenues	132.4	79.9	65.7%	260.5	179.6	45.0%
Project cost	-96.2	-51.8	85.7%	-183.8	-121.8	50.9%
Gross profit	36.2	28.1	28.8%	76.7	57.8	32.7%
<i>Gross Margin</i>	27.3%	35.2%		29.4%	32.2%	
Platform cost	-21.8	-18.0	21.1%	-38.1	-29.9	27.4%
Share of results of joint ventures	0.0	0.0		2.5	0.3	
EBIT	14.4	10.2	41.2%	41.1	28.2	45.7%
<i>EBIT Margin</i>	10.9%	12.8%		15.8%	15.7%	
Financial and other result	-3.4	-4.0		-7.5	-9.5	
EBT	10.9	6.2	75.8%	33.5	18.7	79.1%
<i>EBT Margin</i>	8.2%	7.8%		12.9%	10.4%	
Taxes	-3.3	-1.1		-10.1	-4.9	
<i>Tax rate</i>	30.3%	17.7%		30.1%	26.2%	
EAT	7.6	5.0	46.0%	23.4	13.7	70.8%
<i>EAT Margin</i>	5.7%	6.3%		9.0%	7.6%	
EPS¹	0.21	0.13	63.8%	0.55	0.35	57.5%

- ✓ Strong H1 topline growth (sale of JV project not included) shows INS on track; first half with traditionally weaker seasonality – higher revenues in coming quarters expected
- ✓ Attractive gross margin underscores sound pricing environment
- ✓ Rising platform costs primarily due to investments into future growth (incl. valuehome)
- ✓ Interest expenses decreased due to lower project related debt
- ✓ Strong EPS growth

High visibility for FY 2021 sales and revenues targets

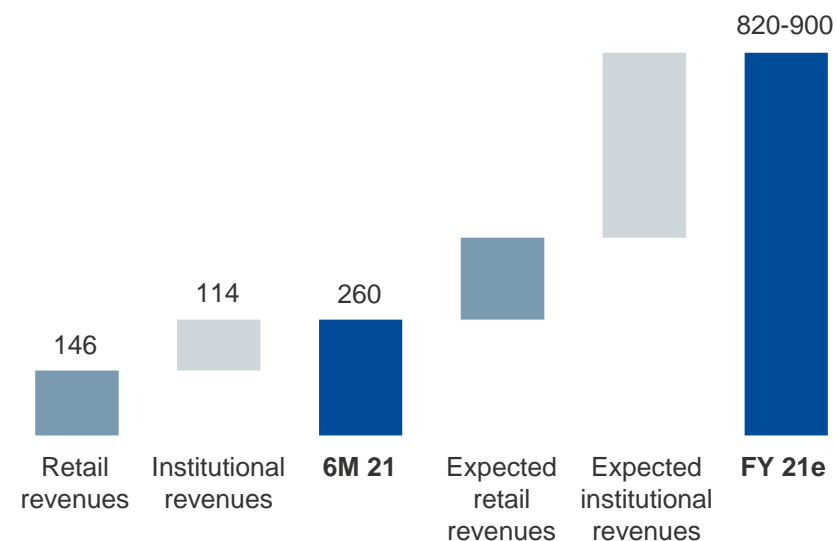
Concluded sales contracts – expected development in H2 2021

In €m



Revenue recognition – expected development in H2 2021

In €m



- ✓ H1 sales & revenues in line with expectations
- ✓ Sales and revenues expected to accelerate in H2
- ✓ Institutional investors expected to be the largest customer group in FY 2021
- ✓ Sales ratio for B2C business is also expected to stay above the long-term mean

Strong balance sheet leaves significant headroom for growth

€m	30/06/2021	31/12/2020
Corporate debt	227.0	207.2
Project debt	173.9	274.5
Financial debt	400.9	481.7
Cash and cash equivalents and term deposits	-272.1	-232.0
Net financial debt	128.8	249.7
Inventories and contract asset	1,026.7	971.9
LTC*	12.5%	25.7%
Adjusted EBIT (LTM)**	96.7	83.8
Adjusted EBITDA (LTM)**	101.0	87.9
Net financial debt / adjusted EBITDA	1.3	2.8

- ✓ 12.5% LTC implies very low financial gearing
 - ✓ Reminder: inventories are recorded at historical costs
 - ✓ Significant hidden reserves provide additional downside cushion
- ✓ 1.3x net debt/adjusted EBITDA
- ✓ Rising leverage in remainder of 2021 and in 2022 expected – planned expansion of the project portfolio
- ✓ €1.6-1.7bn mid term revenue target fully equity funded
- ✓ INS's financial strength remains a competitive edge for acquisitions in current environment

Strong operating cash flow from visible milestone payments

Cash Flow (€m)	Q2 2021	Q2 2020	H1 2021	H1 2020
EBITDA adj.	15.4	11.2	43.3	30.2
Other non-cash items	-4.4	3.7	-6.9	0.6
Taxes paid	1.1	-3.1	-7.4	-7.1
Change in working capital	-17.2	-34.7	117.2	-61.5
Operating cash flow	-5.1	-22.9	146.2	-37.8
Land plot acquisition payments (incl. RETT*)	37.1	2.0	45.8	50.3
Operating cash flow excl. investments	32.0	-20.9	192.0	12.5

Liquidity (€m)	Total	t/o drawn	t/o available
Corporate debt			
Promissory notes	206.0	206.0	0.0
Revolving Credit Facilities	119.0	0.0	119.0
Total	325.0	206.0	119.0
Cash and cash equivalents and term deposits			272.1
Total corporate funds available			391.1
Project debt			
Project finance**	308.0	174.5	133.5

- ✓ Strong operating CF based on retail prepayments and institutional milestone payments
- ✓ FY 2021 operating cash flow expected to turn negative due to planned investment into land plots for future growth

- ✓ Ample financial headroom for future growth

Intrinsic pipeline value suggests fundamental upside

Additional upside from planned future growth investments

Prospective NAV (€m)	30/06/2021	31/12/2020
Expected selling prices of project pipeline (GDV)	6,268	6,054
Payments received	-1,222	-942
Expected project costs	-3,444	-3,368
Net debt	-129	-250
Expected proceeds from “at-equity” projects	83	71
Prospective Net Asset Value	1,556	1,566
Number of shares (m)	47.0	47.0
Prospective Net Asset Value per share (€)	33.12	33.32

- ✓ Payments received reflect project related income received to date from pre-sale of pipeline, rental income and ordinary course sale of land plots
- ✓ Expected project costs include future expected payouts required to complete INS project pipeline
- ✓ Proceeds from “at-equity” projects reflect profit from subsidiaries accounted for “at-equity”

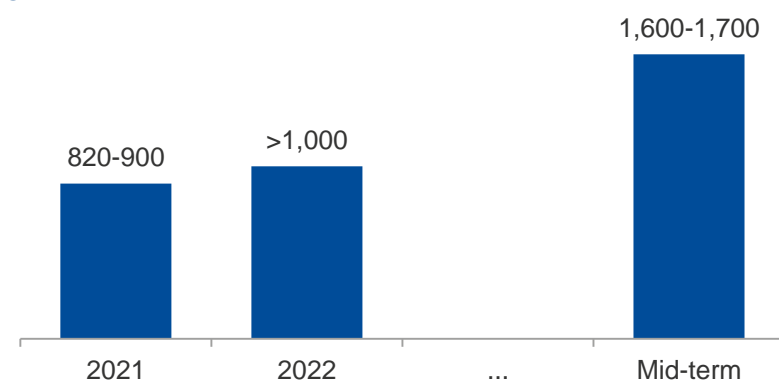
Outlook

2021 guidance reiterated, strong structural growth ahead

€m	Outlook 2021
Revenues (adjusted)	820-900
Gross profit margin (adjusted)	26-27%
EAT (adjusted)	90-95
Volume of concluded Sales contracts	>900

Revenues (adjusted) outlook

In €m



- ✓ Dividend policy: 30% payout ratio based on adjusted EAT

Thereof from existing projects*:



Thereof from projects with building right*:



Revenues secured through pre-sales*:



Valuehome: Growth Perspective

Mid to long-term opportunity: valuehome

Entering the largest and most underserved residential market in Germany: valuehome

Instone's approach

Adding a new pillar to the existing Instone platform based on standardisation, digital processes and significant scale potential with game changing implications for production costs and pricing

Elements

- Modular planning: move from prototyping to standardisation
- Reduce complexities throughout the construction process; introduce lean construction management
- Digital platform including digital distribution channel and configurator standardising client optionality
- Focus on essentials: highly efficient floor plans, minimise costly underground construction
- Maintain high architectural standards with modern designs and strong sustainability marks
- Target increasingly attractive locations in B cities and in the commuter belts

Target customer

- Price points targeted to “lower mid markets” - between social housing and Instone's core business
- Focus on institutional investors including municipal housing company's and professional landlords

Key benefits

- Substantially expand Instone's addressable market
- Enter less competitive land market
- Highly scalable, less complex low risk product with significant mid to long-term growth potential
- Improve Instone's economics for existing “social housing” demands and competitive position in the current core business
- Generate strong margins and highly attractive capital return

Addressing the most significant, largely untapped customer group: mid- to lower income households

Instone Core Product: Illustrative economics

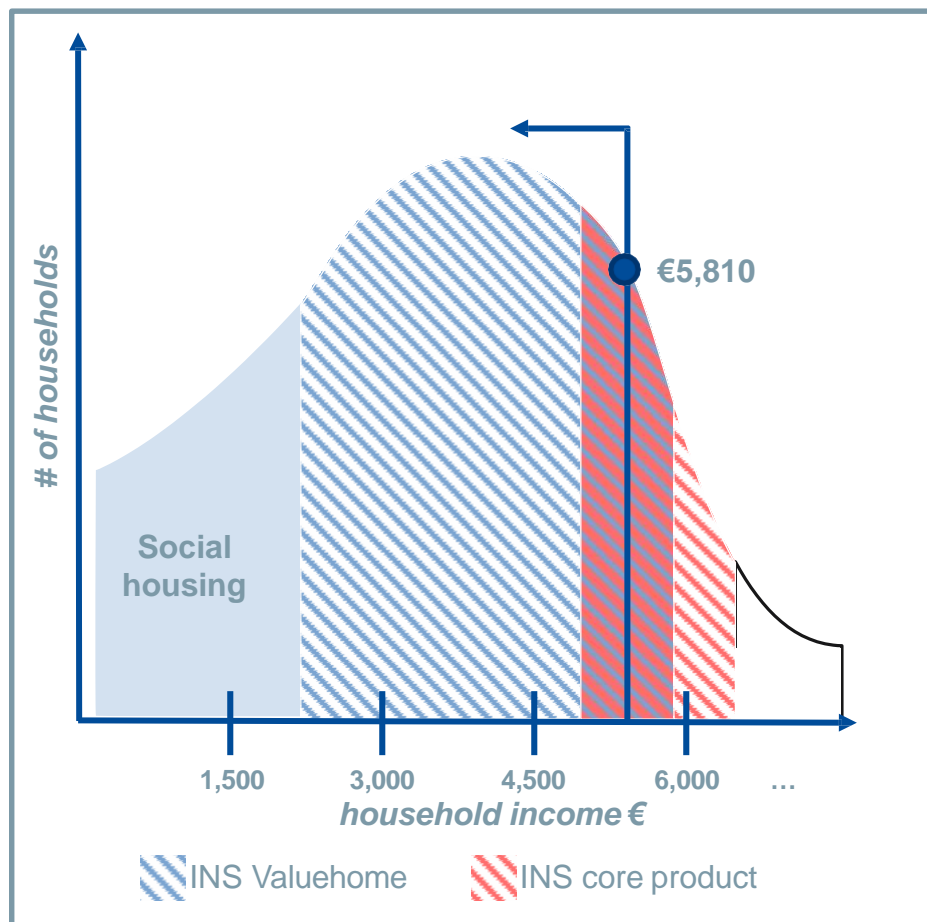
Four-room-flat 110 sqm / 5,500 EUR/sqm
 Purchase price: 665,000 €
 incl. acquisition costs (~10 %); 15% equity
 1.0% interest rate / 2.0% amortisation
 Running operational cost: 3 €/sqm month

1,743 € p.m.

financial charge

5,810 € p.m.*

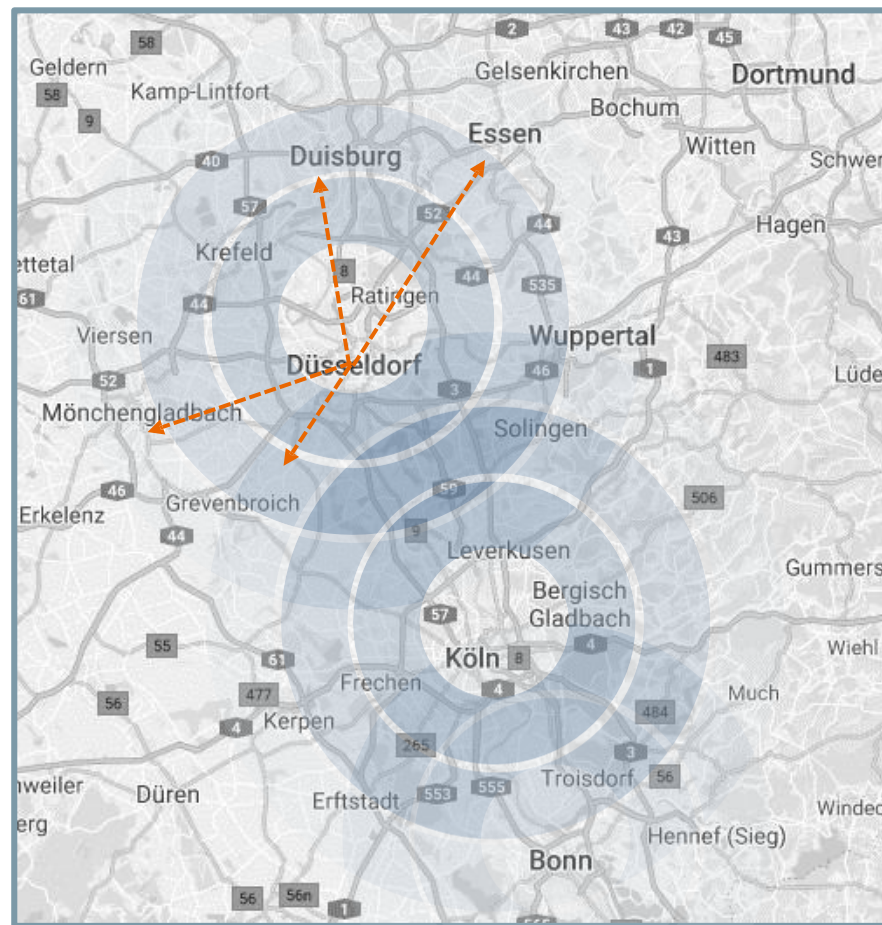
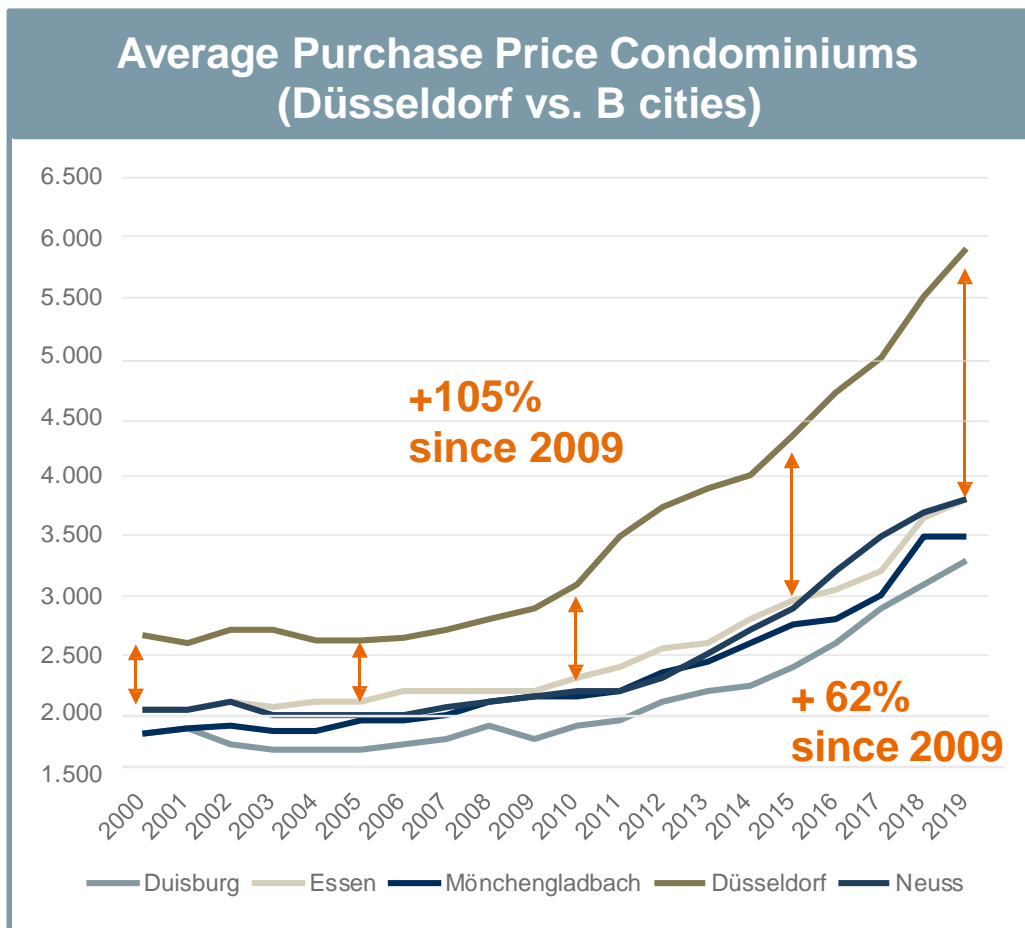
required household income



► Significant customer potential and demand gap for Valuehome product

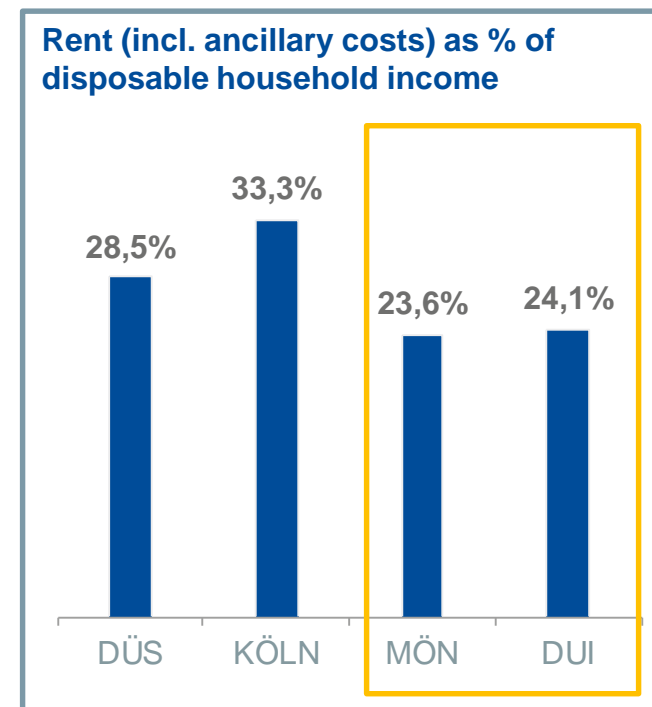
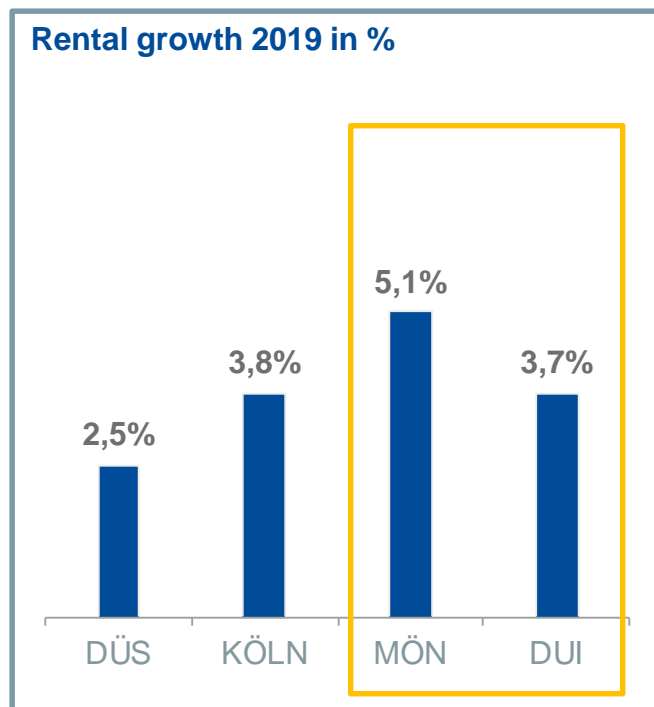
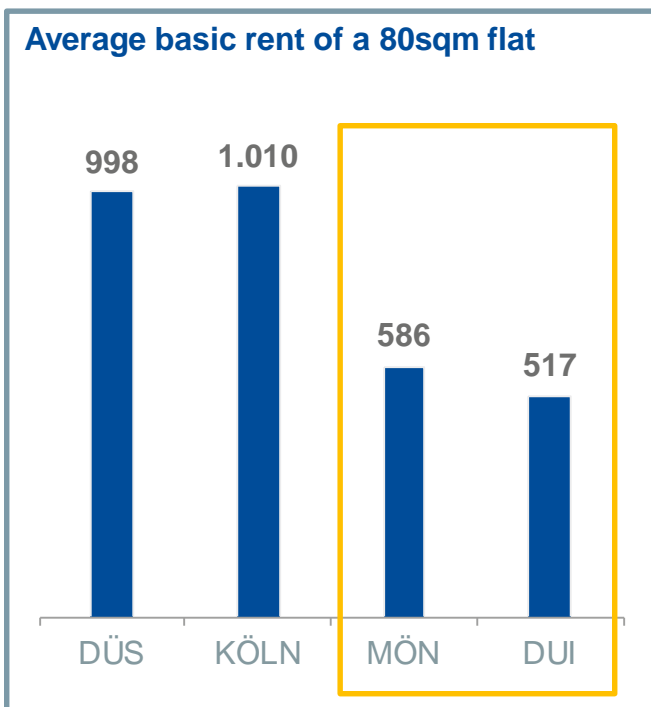
Notes:
 * 30% of disposable income

Illustrative example – suitable valuehome acquisition opportunities around Düsseldorf, Cologne, Bonn, benefiting from spillover effects



► Substantially expand Instone’s total addressable market and acquisition opportunities

Rental markets in B locations benefit from positive spill-over effects



- Rent levels (in euro / as percent of household income) in Düsseldorf and Köln far exceed rents in B locations
- Conversely, rents in more affordable cities i.e. Mönchengladbach, Duisburg show higher growth – reflecting a catch-up in prices resulting from spill-over effects
- INS is well positioned to capitalize on these spill-over effects, leveraging its established acquisition network

Demanding challenges for cost-effective housing solutions

Cost efficiency requirements

Simplification of Product

Standardisation of Planning

“Industrialisation” of Development and Construction

Key challenges

Highly **fragmented** market

General building law and social housing pre-requisites are regulated on **state level**

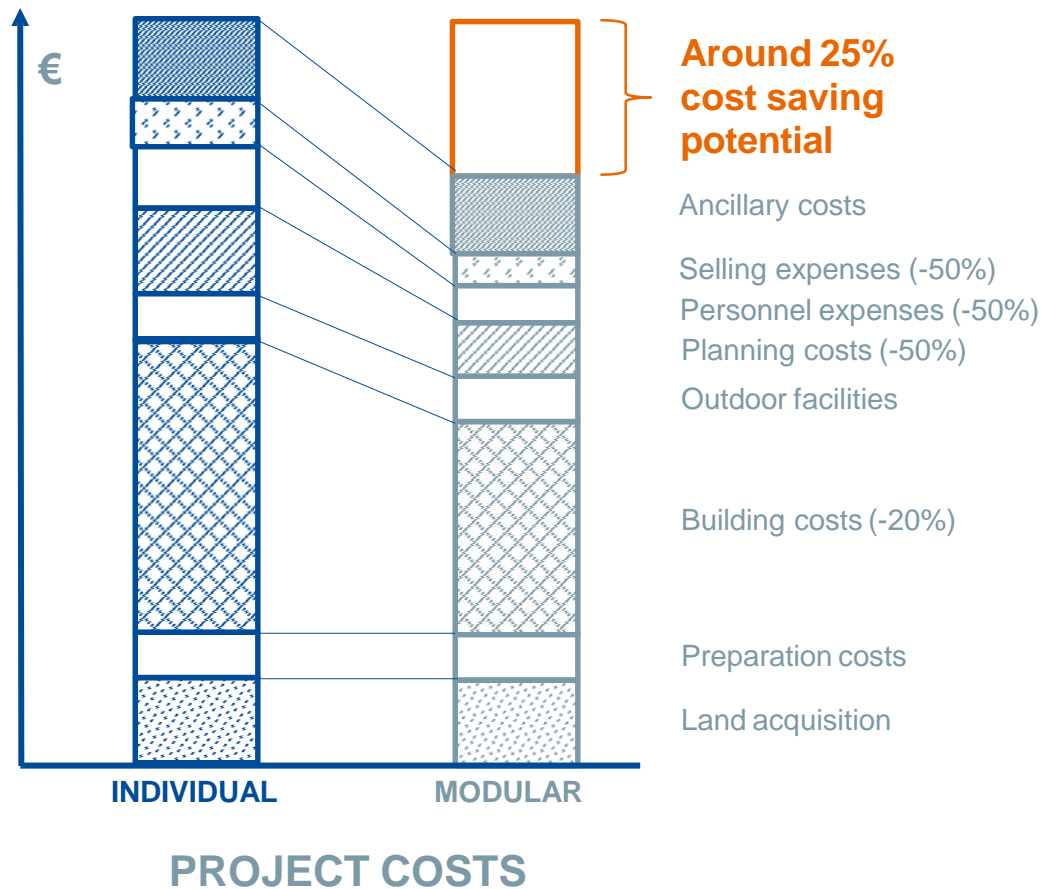
Additional **municipal** statutes exist in each city (e.g. parking spaces)

Highly qualified staff required due to **individual** prototyping, complex construction process and customer individualisation

Low innovation spirit of construction industry

▶ Instone’s nationwide platform with long-term experience and in-depth development expertise offers opportunity to fill demand gap for valuehome product

Unrivalled 2,000€/m² total production costs achievable



Around 25% cost saving potential

- Reduction of total production cost including planning, marketing, sales etc. from ~ 2,800€/m² to c. 2,000€/m² - 2,300€/m²

Cost savings by standardisation

- ~50% of selling expenses
- ~50% of personnel expenses
- ~50% of planning costs

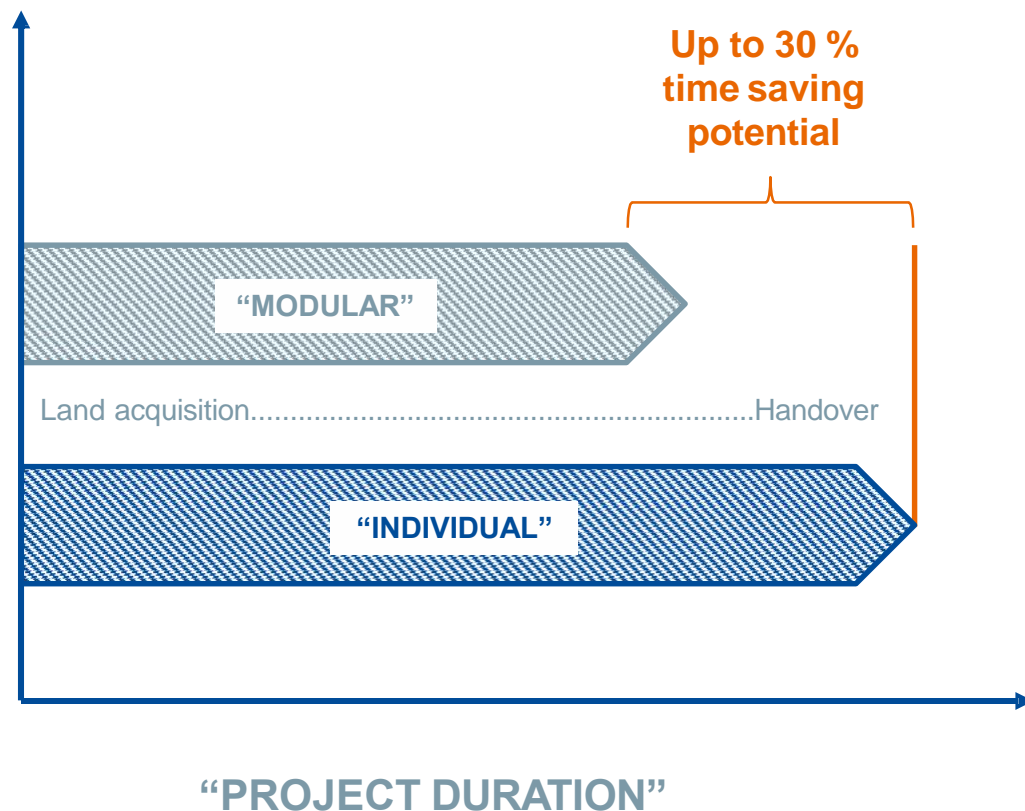
~20% reduction of building costs

- Reducing underground construction
- Optimised floor planning
- Standardisation of materials

Further potential

- Prefabrication
- Scalability potential

Considerable savings in project duration resulting in superior project IRR



Time savings

- ~ 6m of planning and approval process
- Up to 12m of construction process

Additional potential

- Prefabrication / industrialisation reaching critical mass in scale
- Type approval

Highly attractive project economics

Project related economics

Project Size

- €30-50m

- Standardised planning and simplified execution provides for attractive economics in smaller size projects

Target gross margin

- ~20%

- Projects gross margins expected to be lower compared to target margins for INS core product
- Lower margin reflects reduced capital intensity and risk profile of valuehome product

Target EBIT margin

- In line with core product

- EBIT margin in line with core product
- Standardised planning and more efficient / repetitive construction works allow for leaner valuehome platform vs INS core product

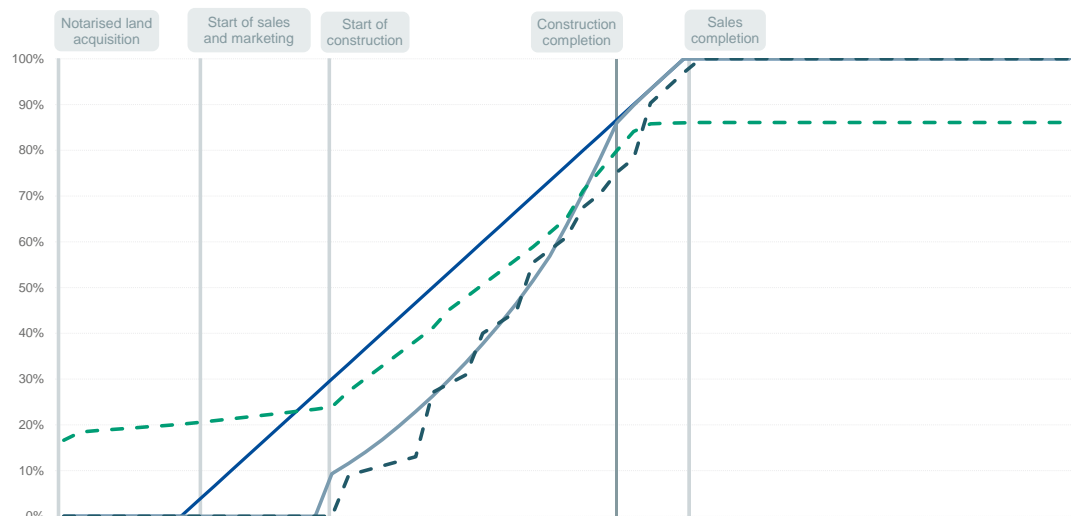
Target IRR/ ROCE

- Exceeding core product

- Accelerated planning, reduced complexity, minimized underground construction as well as sales more geared towards institutions result in improved project IRR and superior ROCE

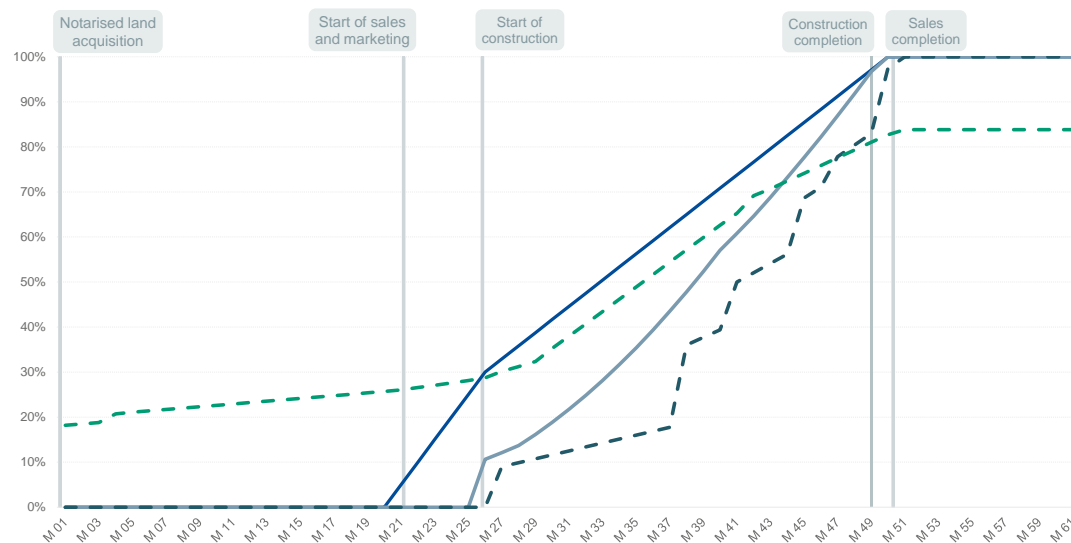
Notes:
* Excluding corporate overhead allocation

Illustrative valuehome cash flow profile vs INS core product



1) “valuehome”

pre sale phase	8 month
sales phase	30 month
construction phase	18 month
project duration	36 month



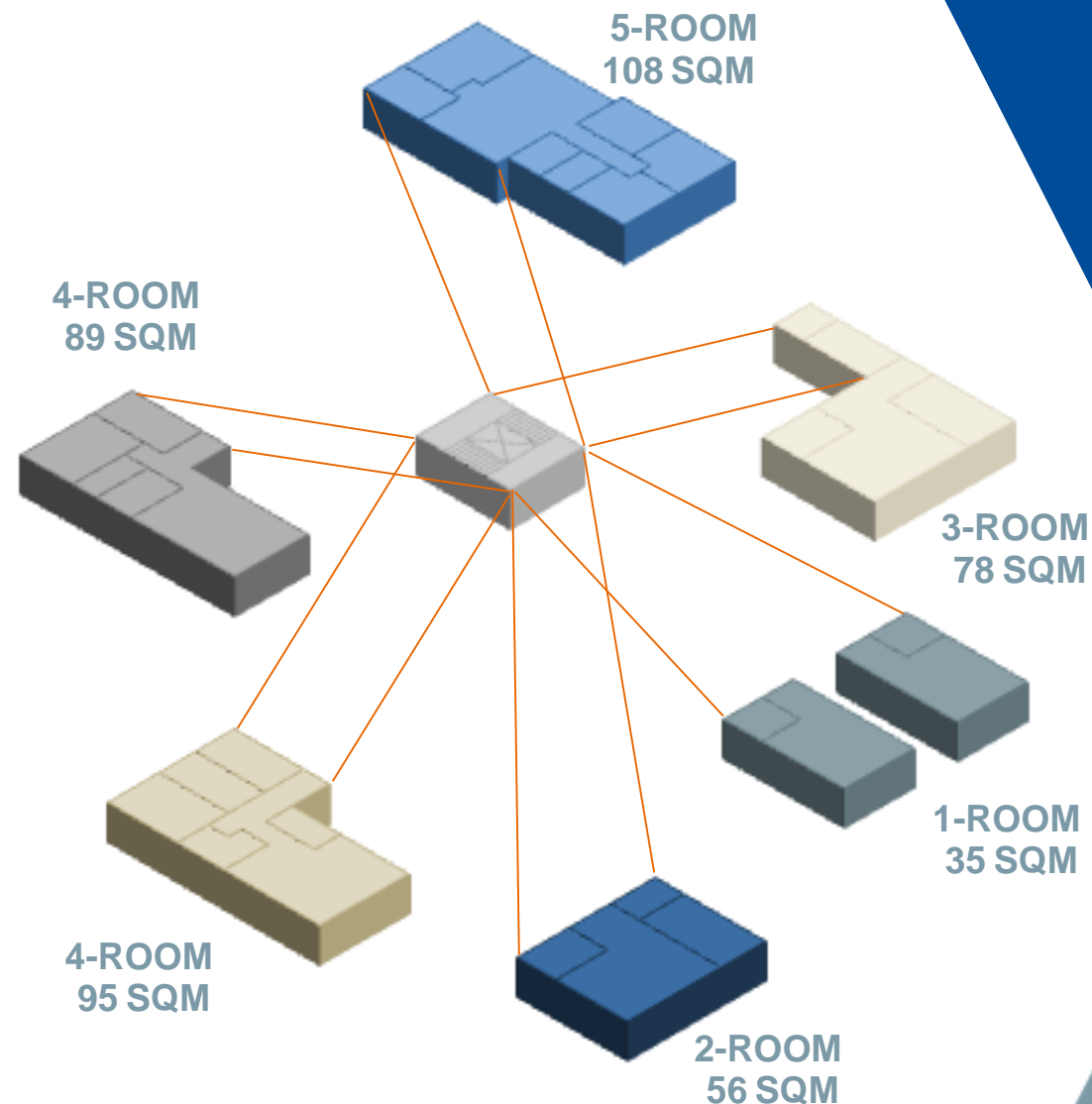
2) “Instone core product”

pre sale phase	20 month
sales phase	30 month
construction phase	24 month
project duration	50 month

— Sales development - - - Cash inflows
— Revenue development — Cash outflows

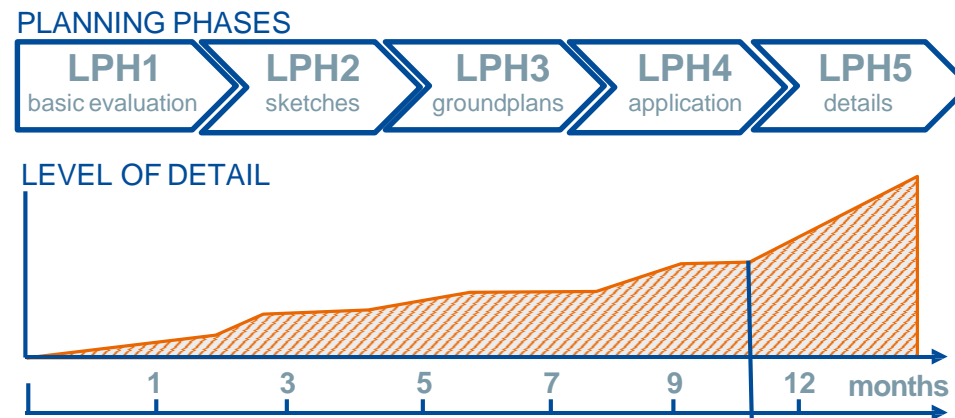
Innovative modular and highly standardised planning concept

- Modular housing groundplan kit
 - Gapless BIM-based planning process
 - Fully integrated technical planning
 - Realtime mass and cost calculation
 - Standardised tender documents
 - Digital interface to fit-out configurator
- ▶ Exceptionally rapid and highly efficient planning process with consistent quality

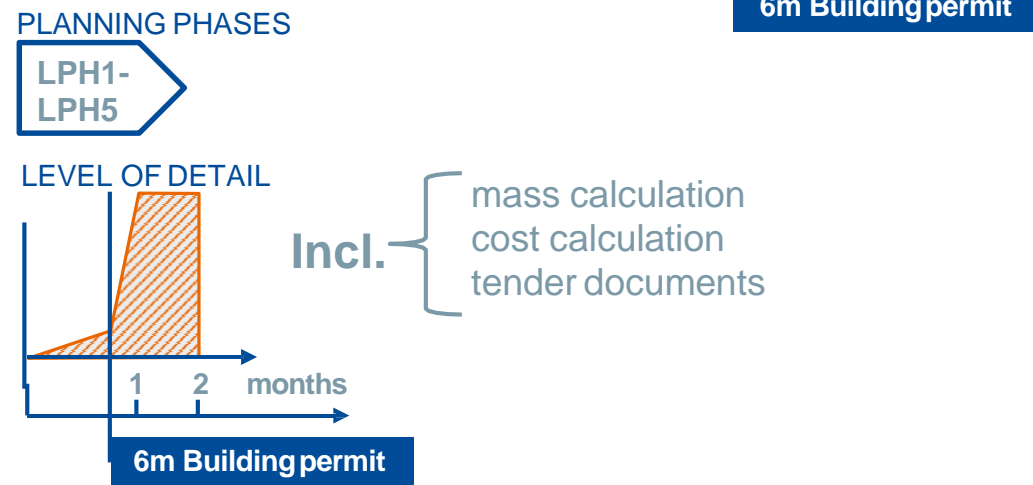


The modular planning process is the foundation of our new product

Illustrative simulation of modular planning approach applied to Project Rottenburg



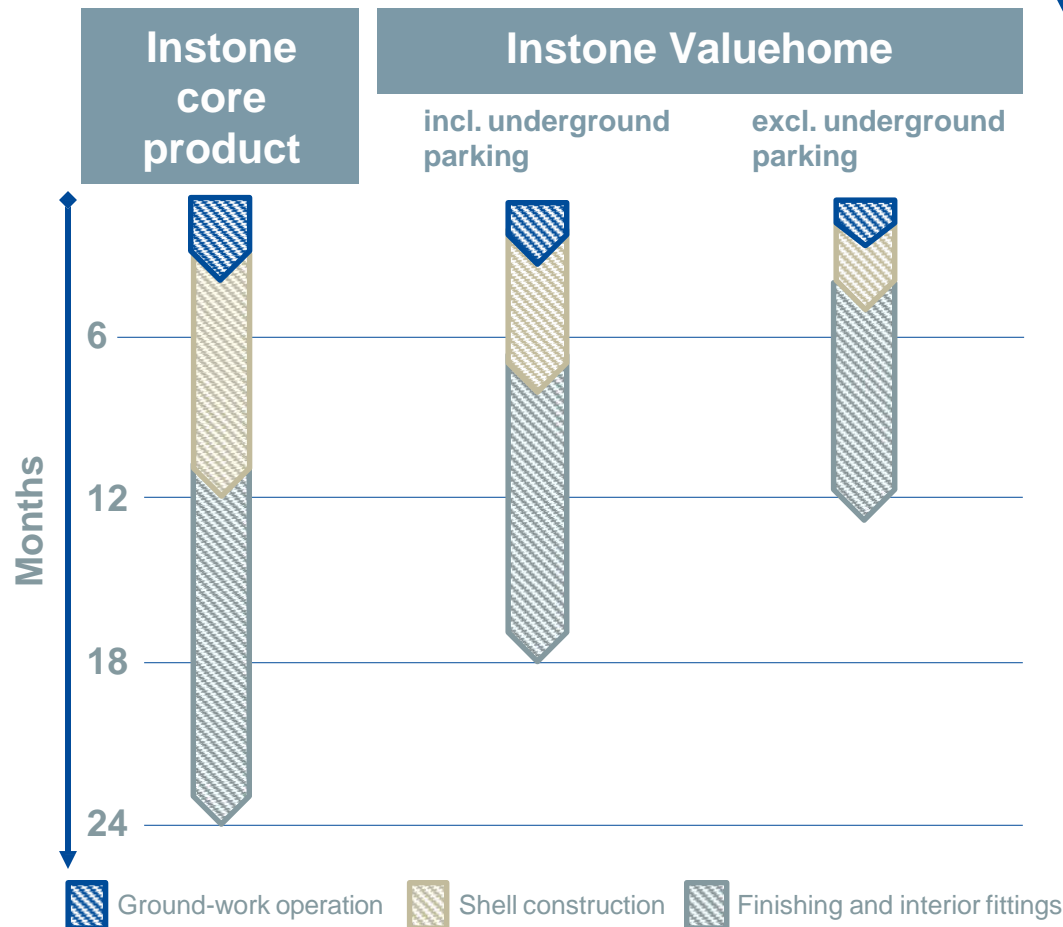
6m Building permit



▶ INS Modular product uses BIM based standardized planning to reduce time and costs

More easily scalable construction and potential for industrialized production processes

- Lean construction process
→ increase of efficiency
- Lower cost risks due to standardisation
- Standardised product leads to continuous improvement process
- Reduction of complexity leads to lower personnel expenses (also after-sale)



Comparison of products

	Traditional Instone Product	Instone Valuehome
Price	<ul style="list-style-type: none"> Mid to high price segment No Luxury Selling price €4,000/sqm – 9,000/sqm 	<ul style="list-style-type: none"> Lower to mid-price segment Positioning between social housing and Instone core product Selling price up €3,000/sqm – 5,000/sqm
Complexity	<ul style="list-style-type: none"> Highly customised Typically includes substantial underground construction (e.g. parking space) Medium to high level of customer optionality 	<ul style="list-style-type: none"> Highly standardised Minimising costly underground construction (e.g. parking space) Low level of customer optionality
Location	<ul style="list-style-type: none"> Focused on largest and fastest growing metropolitan areas (A cities and attractive B cities) Mainly targeting coveted inner-city locations 	<ul style="list-style-type: none"> Focused on B locations in and around metropolitan areas Certain B cities in commuter belts Typically well-connected suburban locations
Project size	<ul style="list-style-type: none"> Project size >€50m Preference for development of entire residential quarters; typically including masterplanning process 	<ul style="list-style-type: none"> Project size >€20m Less complex projects; lower share of masterplanning processes
Target Customer	<ul style="list-style-type: none"> Mid- to high income owner occupiers Affluent buy-to-let investors Institutional investors 	<ul style="list-style-type: none"> Municipal housing companies Institutional investors Professional landlords Affluent buy-to-let investors To a lesser extent owner occupiers

Instone has a clearly defined path to rolling out the valuehome product

INS valuehome is a highly scalable new product based on proprietary modular planning technology

- first step towards industrialising the entire development value chain
- address the largest end customer segment by income and substantially increase INS's addressable market as well as long term revenue potential

Expect to create a clear competitive advantage for INS

- INS valuehome production costs are unrivalled in the market at €2,000 – 2,300/sqm
- management believes valuehome product development is c. 2-3 years ahead of competition

The new product is highly synergistic to the established nationwide INS platform

- sourcing of attractive projects in and around our current focus markets
- improve economics of social housing sections in our existing projects

Roll out has started – more acquisitions to follow

- INS project pipeline already includes 5 valuehome projects
- acquisition teams have identified > €500m GDV of suitable valuehome projects

ESG Strategy

ESG is integral part of INS's corporate strategy

1. ESG integration into corporate governance / organisational structure (in 2020)

- **Clearly defined ESG responsibilities** established within the INS corporate structure
 - Management board responsibility: CFO Foruhar Madjlessi
 - Establishment of dedicated ESG Officer and ESG Steering Committee
- Integration of ESG into the **management compensation scheme** no later than 2022
- Development of **internal reporting systems** (publications: externally advised sustainability section within annual report, company presentation, ESG website), GRI-Standards (option "Core")
- Stakeholder survey planned for 2021, establishment of continuous dialogue
- Independent sustainability rating planned for 2021

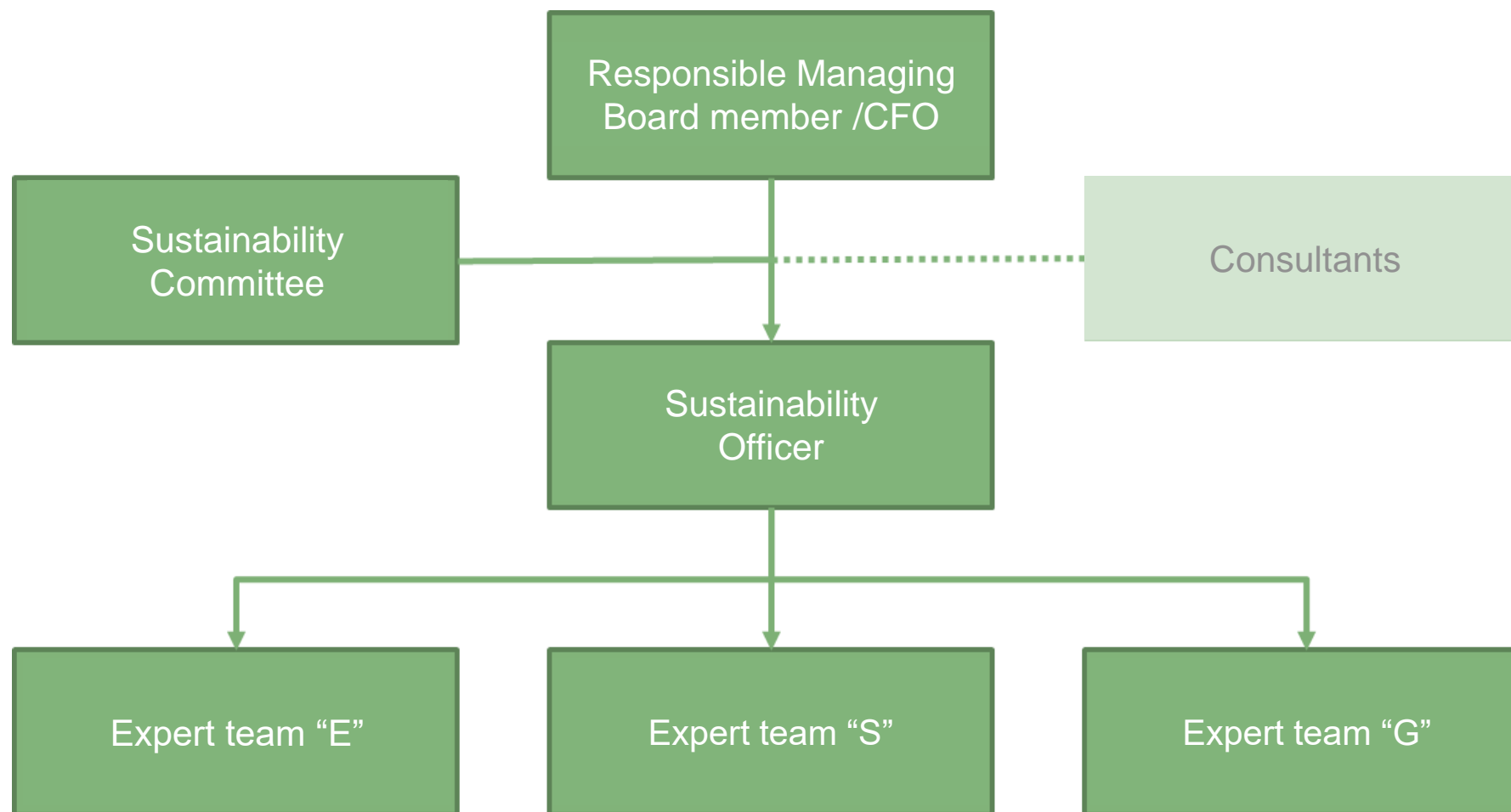
2. Clear commitment for ambitious CO₂ targets / CO₂ neutrality by 2050

- Support of UN Paris Agreement and environmental targets of the German federal government
 - Long term target: **CO₂ neutrality until 2050**
- **CO₂ reduction of 50% by 2030**; share of highly energy efficient buildings (equivalent to KfW40) of 100% of our projects until 2030
- Commitment to the UN Sustainable Development Goals (SDGs)
- INS's ESG-KPIs cover all relevant pillars; also **strong emphasis on social impact**
- Further extension of ESG-KPI's planned
 - Increasing energy efficiency in production process (higher share of environmentally friendly materials)
 - Water consumption, recycling, bio-diversity
- Verifiability of the ESG-report within the next two financial years

Overview: Major ESG-KPIs – Targets/Achievements

	Major KPIs	Achievements 2020	Targets
E	CO ₂ reduction as overall objective	11 kgCO ₂ /sqm	-50% (2030) climate neutrality (2050)
	Share of projects with renewable energy supply	~13%	at least 40% (2030)
	Share of building with high energy efficiency standards	KfW55: ~65%	KfW40 (or equivalent energy efficiency): 100% (2030)
	Charging stations for EVs	~330 (ca. 2.5%)	continuous increase in consultation with local municipalities and regional electricity suppliers
S	Shares of affordable housing	17% subsidized apartments	at least 50% share of affordable housing (incl. valuehome) by 2030
	Diversity (share of female employees in management positions)	25% (1 st)* 22% (2 nd)	at least stable
	Employee satisfaction (semi-annual analysis)	75%	75% or more
	Instone Code of Conduct for employees and contractors (compliance with UN Charter)	100%	100%
	Number of places at kindergartens/schools	1,690/1,300	
G	Employee compliance and data protection trainings	96%	100%
	Compliance cases (suspected)	2	0
	Independent supervisory board	100%	100%
	Customer satisfaction analysis	N/A	2021
	Integration of ESG targets into management compensation scheme	N/A	Latest 2022

ESG organisational structure implemented in 2020



ESG: Fields of Action

17 UN Sustainable Development Goals



major impact



moderate impact



minor impact

Dedicated Actions Currently in Place

3 GOOD HEALTH AND WELL-BEING



- Anti-COVID measures for employees, customers and contractors higher than the legal requirements
- Provision of free fruit and vegetables in all subsidiaries
- Support of sports programmes for our employees
- Regular Safety trainings
- Offer for occupational-medical health examinations by our medical officer
- Provision of group accident insurance and health insurance
- Low rate of accidents at work

8 DECENT WORK AND ECONOMIC GROWTH



- Code of Conduct revised and adapted in function of the UN Declaration of Human Rights and the UN Convention on the Rights of the Child
- Compliance with the minimum wages in-house as well as on supplier level
- Optimal workplace design for our employees (high-quality office equipment, well equipped kitchens)
- Reconciliation of family and work (trust-based working hours and mobile working)
- Monitoring employee satisfaction via surveys and employee turnover ratios

11 SUSTAINABLE CITIES AND COMMUNITIES



- Support of sustainable communal urban land use planning
- Sustainable district development (e.g. Schönhofviertel)
- Urbanistic concepts

Dedicated Actions Currently in Place



- Adjustment of Instone’s company car policy with the objective of increasing the number of hybrid and e-vehicles
- Mobile working agreement between the company and the workers council
- Progressive digitalisation in order to reduce paper consumption
- Dismantling in cooperation with specialist recycling companies



- Medium-term objective: CO₂ reduction (-50% by 2030, climate neutrality until 2050)
- 100% share of highly energy efficient buildings with KfW40 standards or equivalent energy efficiency until 2030
- Creating compensation areas for sealed surfaces
- Brownfield developments
- Promotion of biodiversity
- Relocation measures for flora and fauna



- Responsible and sustainable resource management
- Establishment of attractive residential properties and districts
- Reduction of housing shortage as our contribution to society
- Supporting the creation of infrastructure

Westville, Frankfurt am Main

Realizing an innovative energy concept

- Former industrial site turned into an attractive living quarter for more than 3,000 people
- ~1,300 apartments, thereof 380 subsidized
- Three kindergartens
- Large green areas incl. six playgrounds
- Specially designed heat pumps for waste heat recovery from nearby data center
- 100 % energy standard KfW 55
- ▶ Attractive living quarter combined with a highly innovative, sustainable energy concept



INSTONE
REAL
ESTATE



Niederkasseler Lohweg, Düsseldorf

Creating living quarters on former industrial sites

- Brownfield redevelopment incl. deconstruction and recycling of a seven-storey office building
- Mix of 221 subsidized and privately financed apartments plus local square, 430 sqm playground and kindergarten
- Construction of a two-storey underground car park, incl. underground backwater vessels
- 10% of the parking lots equipped with charging stations for e-cars
- Nesting aids for bats and swifts
- Planting of several mid-size trees



Theaterfabrik and Heeresbäckerei, Leipzig

Converting old buildings into sustainable game changers

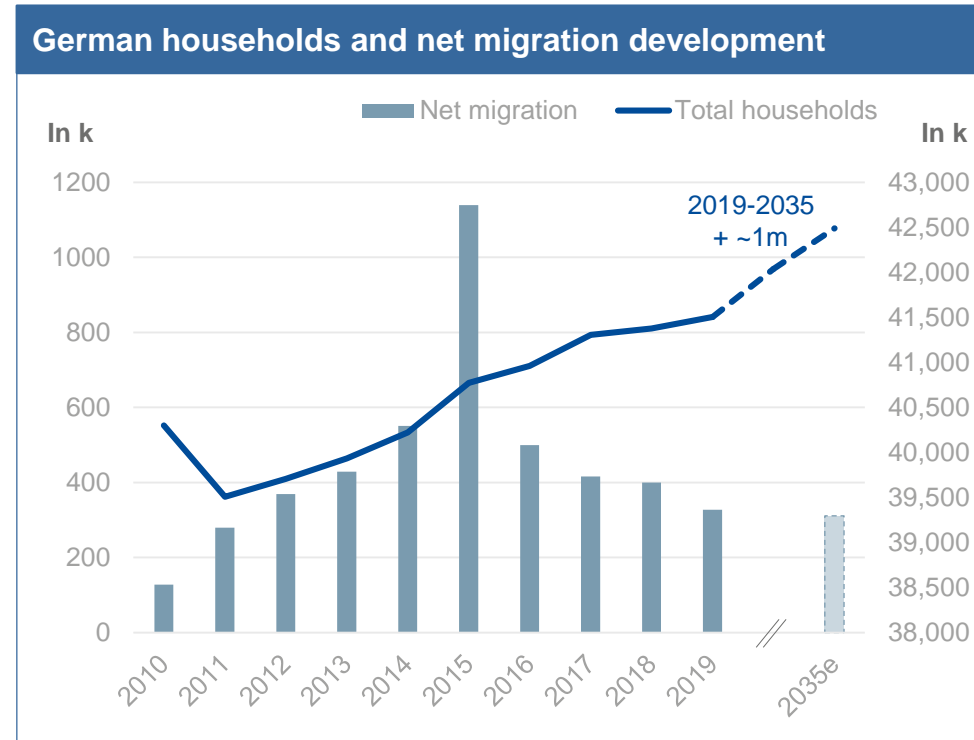
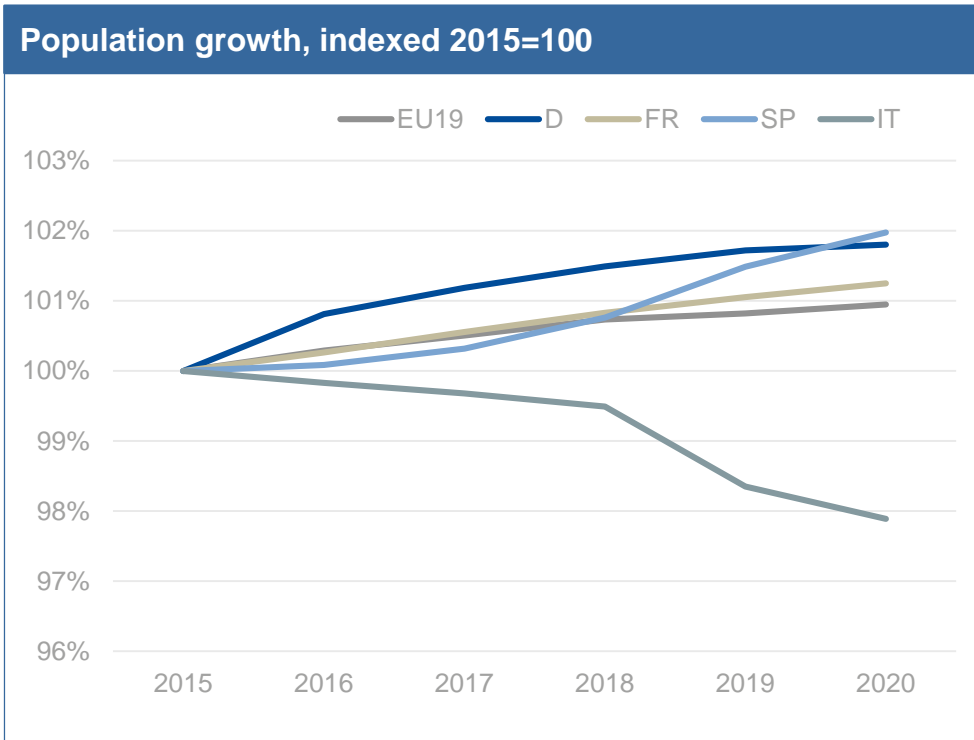
- Harmonious unit of historical and new buildings
- Comprehensive, resource-friendly restoration
- Avoidance of emission-intensive construction measures*
- Preservation of the historical charm and cultural meaning of the original buildings
- ▶ Highly liveable quarters with generous green spaces

* In comparison to demolishing and rebuilding



Market Environment

Structural demand growth supported by net immigration



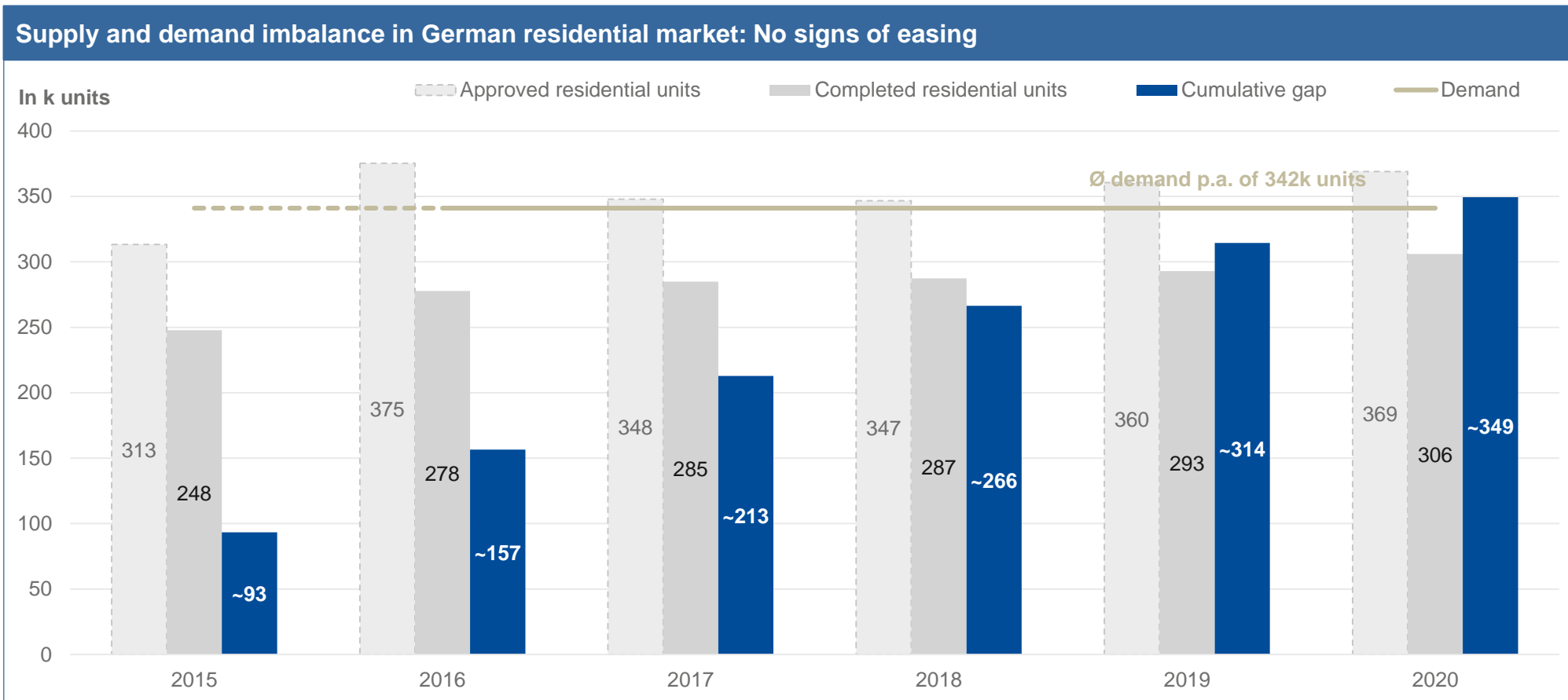
✓ Germany outperforms the EU19 average

✓ Number of households with positive underlying trend due to further net migration and increase in number of single-person households

Source: Eurostat

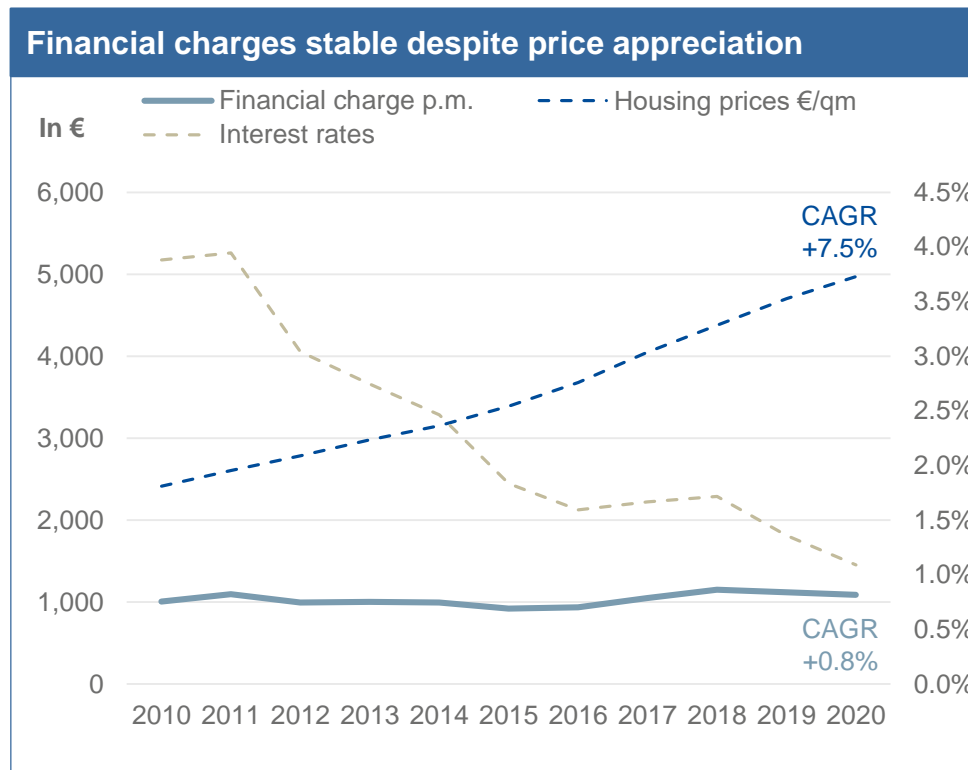
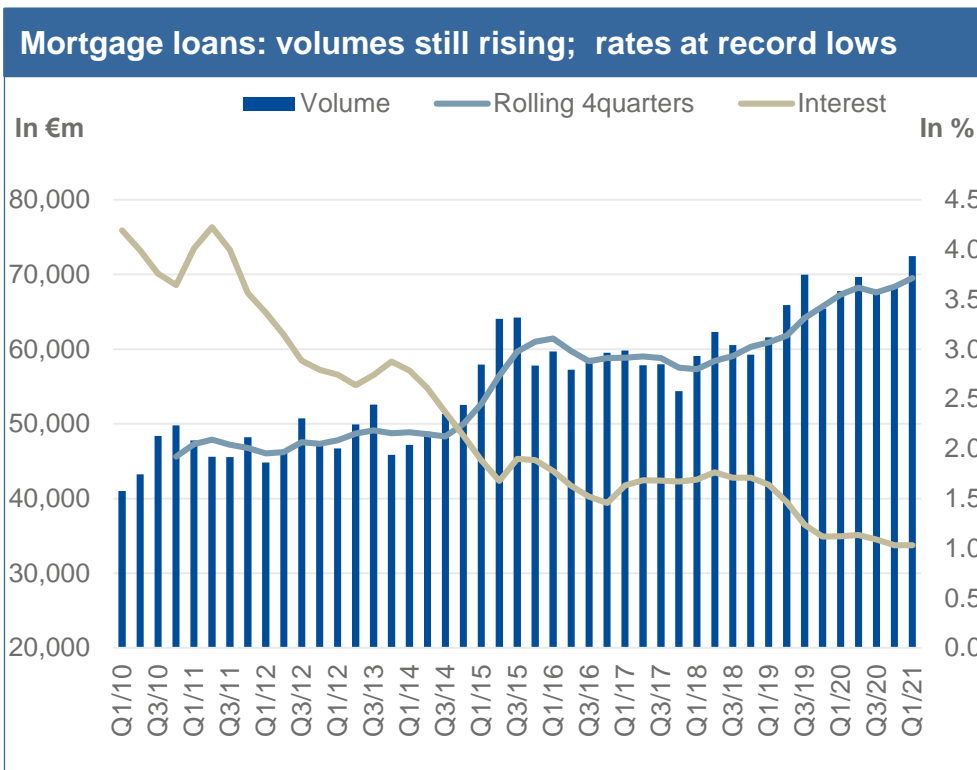
Source: destatis, DB Research

Backlog of undersupply is further building up



Source: supply - destatis (Fachserie 5 Reihe1, 20/07/2021), average demand 2016-2020 IW-Report 28/2019

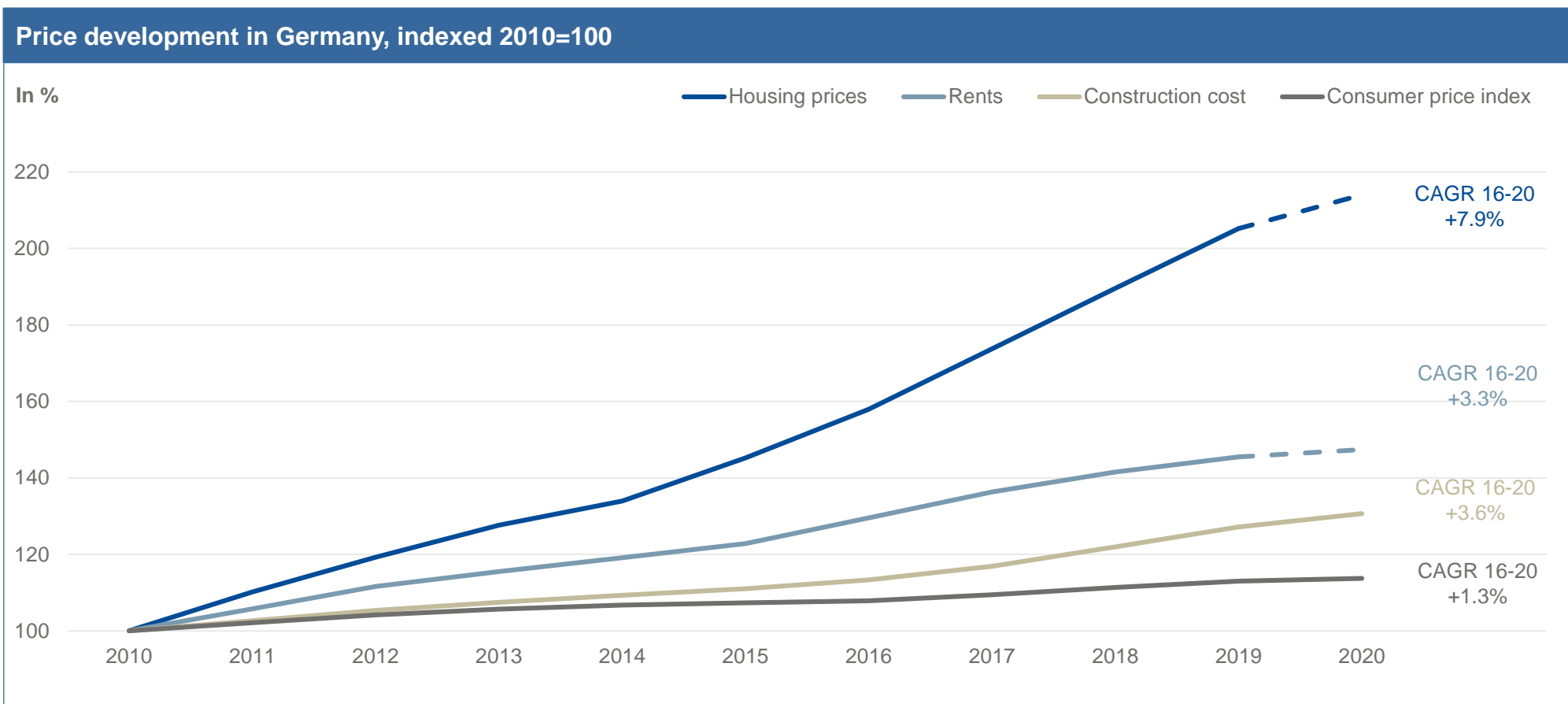
Lending markets stay very supportive and German resi still highly affordable



Source: Deutsche Bundesbank as of 06/05/2021, total volumes of residential mortgage loans to households, effective interest rate for mortgage loans with maturities >5-10 years

Source: Bulwiengesa housing prices for new multi-family flats (04/2020), Deutsche Bundesbank as of 06/05/2021, weighted interest rates for loans with an initial rate fixation >5-10 years, calculation of financial charge based on assumption of initial amortisation of 2% and 15% equity

Positive price trend also in COVID environment underpins strength of the asset class



Source: Bulwiengesa (10/2020) house prices and rents for new flats in German A-Cities, destatis (09/2020)

Appendix

Income statement (reported)

€m	Q2 2021	Q2 2020	H1 2021	H1 2020
Total revenues	120.4	74.4	240.3	168.9
Changes in inventories	36.8	19.3	29.5	54.3
	157.3	93.7	269.9	223.2
Other operating income	1.2	-1.3	1.8	4.6
Cost of materials	-124.4	-64.3	-198.6	-162.2
Staff costs	-13.2	-9.6	-25.1	-20.0
Other operating expenses	-9.0	-6.6	-13.1	-13.6
Depreciation and amortization	-1.2	-1.0	-2.3	-2.0
Earnings from operative activities	10.8	11.0	32.6	30.1
Income from associated affiliates	0.0	0.0	2.5	0.3
Other net income from investments	0.1	0.2	0.1	-0.6
Finance income	0.1	0.0	0.0	0.0
Finance costs	-4.4	-5.6	-8.7	-12.0
Changes of securities classified as financial assets	-0.1	0.8	-0.1	-0.1
EBT	6.4	6.4	26.4	17.7
Income taxes	-2.3	-1.2	-8.6	-4.7
EAT	4.2	5.2	17.8	13.0

- ✓ The increase in revenues is based on the successful marketing and the scheduled construction progress of the current project developments.
- ✓ Stable purchases of land and increased construction activities led to an increase in cost of materials to €198.6m (previous year: €162.2m).
- ✓ Increase in staff costs reflects the increase in FTEs to 365.4 (H1-2020: 323.1).
- ✓ The financial result decreased to €-8.8m (H1-2020: €-12.0m). The lower interest expenses is mainly attributable to the successful refinancing at better conditions and the lower utilization of project financing.

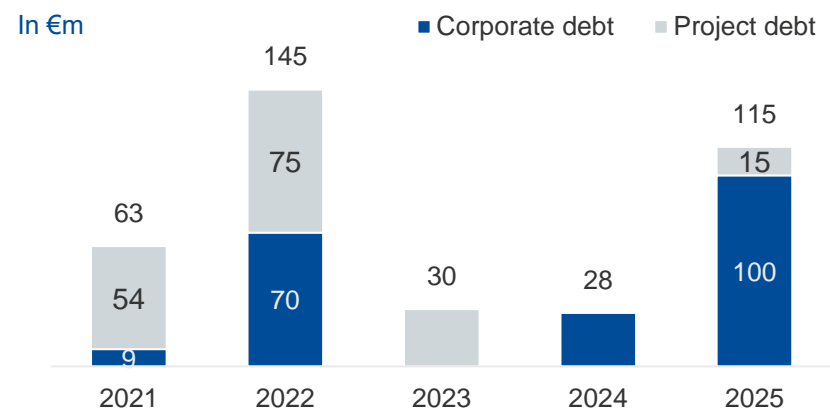
Condensed balance sheet

€m	30/06/2021	31/12/2020
Non-current assets	77.4	52.9
Inventories	807.3	777.8
Contract assets	219.4	194.2
Other receivables	143.5	171.3
Cash and cash equivalents	132.1	87.0
Current assets	1,302.3	1,230.2
Total assets	1,379.7	1,283.1
Total equity	527.8	521.0
Financial liabilities	286.4	313.7
Other provisions and liabilities	22.7	32.7
Deferred tax liabilities	28.8	22.9
Non-current liabilities	337.9	369.3
Financial liabilities	114.5	168.0
Trade payables	91.2	68.9
Other provisions and liabilities	308.3	155.8
Current liabilities	514.0	392.7
Total equity and liabilities	1,379.7	1,283.1

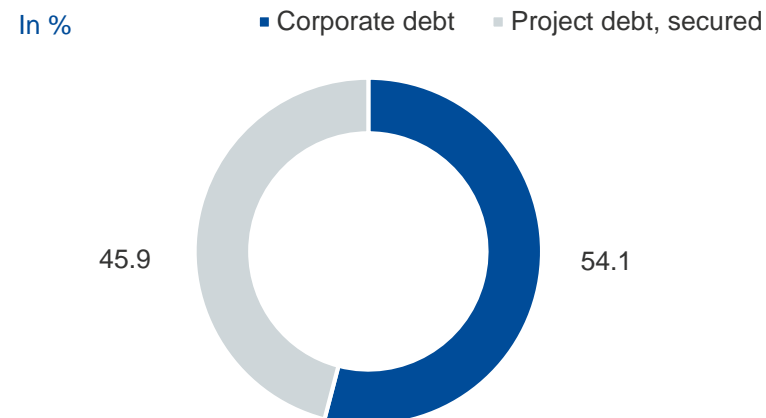
- ✓ The increase in inventories is attributable to land acquisitions and higher capitalised construction costs. As of H1-2021, acquisition of land plots (incl. incidental costs) of €599.4m (Q4-2020: €583.7m) are included in inventories.
- ✓ Cash and cash equivalents and time deposits totaling €272.1m (Q4-2020: €232.0m) increased due to the positive operating cash flow. The volume of project financings has been reduced over the same period (negative financing CF).
- ✓ Non-current financial liabilities decreased to €286.4m. Current financial liabilities fell to €114.5m.
- ✓ Other liabilities €252.0m mainly comprise advance payments received on work in progress.

Well balanced financing structure at attractive terms

Maturity profile as of 31/03/2021



Secured/unsecured as of 31/03/2021



Weighted average corporate debt maturity	2.8 years
Weighted average corporate interest costs	3.32%
Share of corporate debt with floating interest	27.2%

Project Portfolio Key Figures

€m	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Volume of sales contracts	89.1	118.6**	246.0	94.9	54.1*	69.4	1,088.2	183.1	69.0	62.8
Project Portfolio	6,268.1	6,054.2	6,053.6	5,937.5	5,701.3	5,744.4	5,845.7	5,384.1	5,091.7	4,790.2
<i>thereof already sold</i>	<i>2,444.0</i>	<i>2,360.5</i>	<i>2,328.8</i>	<i>2,108.6</i>	<i>2,017.1</i>	<i>2,189.0</i>	<i>2,174.0</i>	<i>1,261.1</i>	<i>1,128.7</i>	<i>1,061.1</i>
Units	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Volume of sales contracts	169	372**	708	128	347*	109	2,063	380	120	170
Project Portfolio	14,338	13,678	13,561	13,374	13,075	12,952	13,715	12,233	11,628	11,041
<i>thereof already sold</i>	<i>5,679</i>	<i>5,510</i>	<i>5,381</i>	<i>4,770</i>	<i>4,648</i>	<i>4,799</i>	<i>4,814</i>	<i>2,944</i>	<i>2,684</i>	<i>2,564</i>

(Unless otherwise stated, the figures are quarterly values)

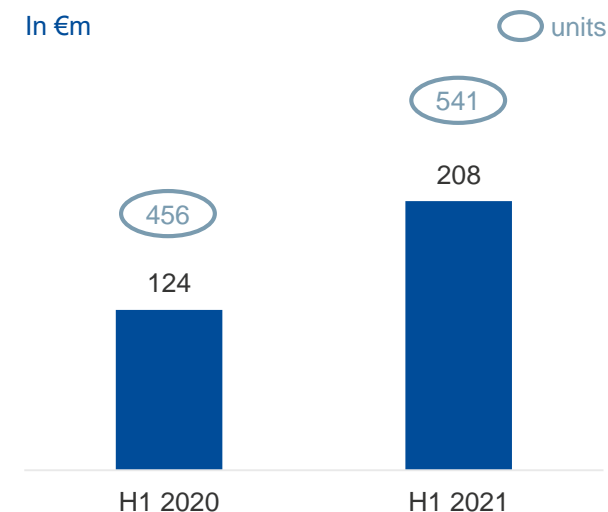
*Of which €24.3m (303 units) from updated business plan of already sold project Westville.

**Of which €6.3m (186 units) from updated business plan of already sold project part in "Schönhof-Viertel", Frankfurt.

H1 2021 – Concluded Sales Contracts

Project	City	Units	€m
“Wohnen im Hochfeld” Unterbach	Düsseldorf	65	41.3
St. Marienkrankenhaus	Frankfurt/Main	22	31.8
“Neckar.Au Viertel”	Rottenburg	89	30.6
Seetor “City Campus”	Nuremberg	35	19.5
“Carlina Park”, Schopenhauerstraße	Nuremberg	22	15.7
Rote Kaserne West – “Fontane Gärten”	Potsdam	25	15.4
Schulterblatt “Amanda”	Hamburg	17	14.5
“Lokhöfe”, Bahnhofsareal Nord	Rosenheim	67	11.2
“Schönhof-Viertel”*	Frankfurt/Main	186	6.3
Kitzmann, Südliche Stadtmauerstr.	Erlangen	1	5.3
Others		12	16.1
Total		541	207.7

Concluded sales contracts



H1 2021 – Revenue Contribution

Project	City	Adj. revenues (€m)
St. Marienkrankenhaus	Frankfurt/Main	43.0
“Wohnen im Hochfeld” Unterbach	Düsseldorf	24.0
west.side	Bonn	21.7
Westville	Frankfurt/Main	20.1
Schulterblatt “Amanda”	Hamburg	16.7
“Carlina Park”, Schopenhauerstraße	Nuremberg	15.3
City-Prag – Wohnen im Theaterviertel	Stuttgart	14.4
Schwarzwaldstraße	Herrenberg	12.4
S’LEDERER	Schorndorf	11.4
Stephanstraße	Nuremberg	11.1
Others		70.3
Total		260.5

H1 2021 Construction Launches

Project	City	Start in	Exp. Sales Volume (€m)	Units
"Fontane Gärten" – 1. BA	Potsdam	Q1	~ 31	~ 55
Westville – 1. BA (WA-5)	Frankfurt	Q1	~ 153	~ 330
Total			~ 184	~ 385

Sales Offer as of 30/06/2021 (Top Projects, condominium sales)

Project	City	Sales volume (€m)	Units	Already sold in %
Seetor "City Campus" – Wohnen	Nuremberg	55.6	113	31%
"Fontane Gärten BA 2"	Potsdam	23.7	44	23%
"Carlina Park", Schopenhauerstraße	Nuremberg	19.9	14	71%
"Wohnen im Hochfeld" Scholle 2	Düsseldorf	16.5	33	60%
"Fontane Gärten BA 1"	Potsdam	14.6	24	53%
"Lokhöfe", Bahnhofsareal Nord	Rosenheim	14.1	76	44%
Seetor "City Campus" – Geschossbau	Nuremberg	12.9	17	52%
Marina Bricks	Regensburg	7.5	9	75%
Schwarzwaldstraße	Herrenberg	1.9	1	96%
"Neckar.Au Viertel"	Rottenburg	1.2	3	95%
Total		167.9	334	

Project Portfolio as of 30/06/2021

(projects > €30m sales volume, representing total: ~ €6.3bn)

Project	Location	Sales volume (expected)	Land plot acquired	Building right obtained	Sales started	Construction started
<u>Hamburg</u>						
Schulterblatt "Amanda"	Hamburg	96 Mio. €	●	●	●	●
Kösliner Weg	Norderstedt-Garstedt	85 Mio. €	●	◐		
Sportplatz Bult	Hannover	120 Mio. €				
Rothenburgsort	Hamburg	198 Mio. €	●	◐	◐	
Büntekamp	Hannover	143 Mio. €	●	◐		
<u>Berlin</u>						
Quartier Stallschreiber Straße / Luisenpark	Berlin	235 Mio. €	●	●	●	●
Wendenschlossstr.	Berlin	49 Mio. €	●	●		
Rote Kaserne West	Potsdam	62 Mio. €	●	●	●	◐
<u>NRW</u>						
Sebastiansraße / Schumanns Höhe	Bonn	70 Mio. €	●	●	●	●
Niederlasseler Lohweg	Düsseldorf	N/A	●	●	●	●
Unterbach / Wohnen am Hochfeld	Düsseldorf	184 Mio. €	●	●	◐	◐
Literaturquartier	Essen	77 Mio. €	●	●		
REME	Mönchengladbach	105 Mio. €		◐		
west.side	Bonn	188 Mio. €	●	●	◐	◐
Gartenstadtquartier	Dortmund	103 Mio. €	●	◐		

Semi-filled circle means that the milestone has yet been achieved for sections of the project (land plot acquisition, start of sales or construction). Concerning the building right the semi-filled circle means that the zoning process has been initiated. No circle for "land plot acquired" means that the land has not yet been purchased but secured by contract.

Project Portfolio as of 30/06/2021

(projects > €30m sales volume, representing total: ~ €6.3bn)

Project	Location	Sales volume (expected)	Land plot acquired	Building right obtained	Sales started	Construction started
<u>Rhine-Main</u>						
Wiesbaden-Delkenheim, Lange Seegewann	Wiesbaden	106 Mio. €	●	◐	◐	
Siemens-Areal	Frankfurt am Main	591 Mio. €	●	◐	◐	
St. Marienkrankenhaus	Frankfurt am Main	217 Mio. €	●	●	●	●
Friedberger Landstraße	Frankfurt am Main	306 Mio. €		◐		
Elisabethenareal Frankfurt	Frankfurt am Main	30 Mio. €	●	●		
Steinbacher Hohl	Frankfurt am Main	53 Mio. €	●	●		
Gallus	Frankfurt am Main	41 Mio. €	●	●		
Westville	Frankfurt am Main	N/A	●	●	●	◐
Aukamm	Wiesbaden	136 Mio. €	●			
Heusenstamm	Heusenstamm	155 Mio. €	●			
Maintal	Maintal	194 Mio. €	●			
Polaris	Hofheim	55 Mio. €	●	●		
<u>Leipzig</u>						
Semmelweisstraße	Leipzig	109 Mio. €	●	●		
Parkresidenz	Leipzig	252 Mio. €	●	●		
Rosa-Luxemburg-Straße	Leipzig	109 Mio. €	●	●		
Heide Süd	Halle	38 Mio. €	●			

Semi-filled circle means that the milestone has yet been achieved for sections of the project (land plot acquisition, start of sales or construction). Concerning the building right the semi-filled circle means that the zoning process has been initiated. No circle for "land plot acquired" means that the land has not yet been purchased but secured by contract.

Project Portfolio as of 30/06/2021

(projects > €30m sales volume, representing total: ~ €6.3bn)

Project	Location	Sales volume (expected)	Land plot acquired	Building right obtained	Sales started	Construction started
<u>Baden-Wurttemberg</u>						
City-Prag - Wohnen im Theaterviertel	Stuttgart	127 Mio. €	●	●	●	●
Schwarzwaldstraße	Herrenberg	50 Mio. €	●	●	●	●
S`LEDERER	Schorndorf	N/A	●	●	●	●
Neckartalterrassen	Rottenburg	163 Mio. €	●	●	◐	◐
Schäferlinde	Herrenberg	56 Mio. €	●	◐		
Schwarzwaldstraße BA II	Herrenberg	70 Mio. €	●			
<u>Bavaria South</u>						
Ottobrunner Straße	München	93 Mio. €	●	●		
Beethovenpark	Augsburg	135 Mio. €	●	●		
<u>Bavaria North</u>						
Schopenhauerstraße	Nürnberg	68 Mio. €	●	●	●	●
Stephanstraße	Nürnberg	N/A	●	●	●	●
Seetor	Nürnberg	112 Mio. €	●	●	●	●
Eslarner Straße	Nürnberg	50 Mio. €	●	●		
Lagarde	Bamberg	80 Mio. €	●	●		
Boxdorf	Nürnberg	59 Mio. €	●	●		
Marina Bricks	Regensburg	30 Mio. €	●	●	●	●
Thumenberger Weg	Nürnberg	111 Mio. €	●	●		

Semi-filled circle means that the milestone has yet been achieved for sections of the project (land plot acquisition, start of sales or construction). Concerning the building right the semi-filled circle means that the zoning process has been initiated. No circle for "land plot acquired" means that the land has not yet been purchased but secured by contract.

German promotion schemes (federal level)

	Home ownership	Energy-efficiency		Affordable homes
	Baukindergeld (family grant)	Energy-efficient construction	Federal funding for efficient buildings (BEG)	Tax incentive via special depreciation
Recipient	<ul style="list-style-type: none"> Families with children <18 yrs Household income of max. €75,000 plus €15,000 per child 	<ul style="list-style-type: none"> Individuals or corporates building or purchasing energy-efficient homes Until 30/06/2021 	<ul style="list-style-type: none"> Individuals or corporates building or purchasing energy-efficient homes From 01/07/2021 	<ul style="list-style-type: none"> Private or corporate landlords (under German income or corporate tax law) §7b EStG
Objective	<ul style="list-style-type: none"> Build or buy own home/condominium for private use 	<ul style="list-style-type: none"> Homes meeting energy consumption standards (KfW 55, 40 or 40+)¹ 	<ul style="list-style-type: none"> Homes meeting energy consumption standards (KfW 55, 40 or 40+)¹ 	<ul style="list-style-type: none"> Building of flats for rent in affordable segment
Promotion	<ul style="list-style-type: none"> Grant of €12,000 per child (€1,200 for 10 years). 	<ul style="list-style-type: none"> KfW 55: Loans max. €120,000 per housing unit / 15% redemption grant (up to €18,000) KfW 40: Loans max. €120,000 / 20% redemption grant (up to €24,000) 	<ul style="list-style-type: none"> KfW 55/40: no change (see left) Optional payout of grant Higher amounts with renewable energy or sustainability certificates: KfW 55 (KfW 40) 17.5% (22.5%) of max. €150,000 	<ul style="list-style-type: none"> Depreciation of 5% p.a. of acquisition/production costs over 4 years on top of linear depreciation of 2% p.a. → 28% of costs can be depreciated during first 4 years
Conditions/ Notes	<ul style="list-style-type: none"> Total fund volume: €9.9bn of which ~1/3 available² Promotion period prolonged until 31/03/2021, further prolongation uncertain Construction to be completed by end of 2023 	<ul style="list-style-type: none"> Vendor has to guarantee compliance with respective energy standard Earmarked funds to be fully invested within 12 months 	<ul style="list-style-type: none"> Vendor has to guarantee compliance with respective energy standard Earmarked funds to be fully invested within 12 months 	<ul style="list-style-type: none"> Max. construction costs of €3,000/m² living space (excl. land)/promotion cap at €2,000/m² Flat must be on rent market for first 10 years of usage (no short-term rent) EU-Law: De Minimis Regulation (max. €200,000 of promotion)
Instone's view	<ul style="list-style-type: none"> Limited to no impact on core product sales in A-markets. Overall limited due to timeline. 	<ul style="list-style-type: none"> Some impact as redemption grant might be attractive for our customers 	<ul style="list-style-type: none"> Some impact for core product in A-markets; higher relevance for valuehome (lower absolute purchase prices) 	<ul style="list-style-type: none"> Limited impact as valuehome will be primarily sold to institutional investors (promotion cap)

1) Definitions can be found: <https://www.kfw.de/inlandsfoerderung/Privatpersonen/Neubau/Das-KfW-Effizienzhaus/> (German only). Highest standard 40+ promotes production and consumption of own energy (i.e. energy production (e.g. PV) in combination with stationary energy storage plus heat recovery air-handling system / 2) As of January 2021, source: FAZ

Approvals/Acquisition Strategy

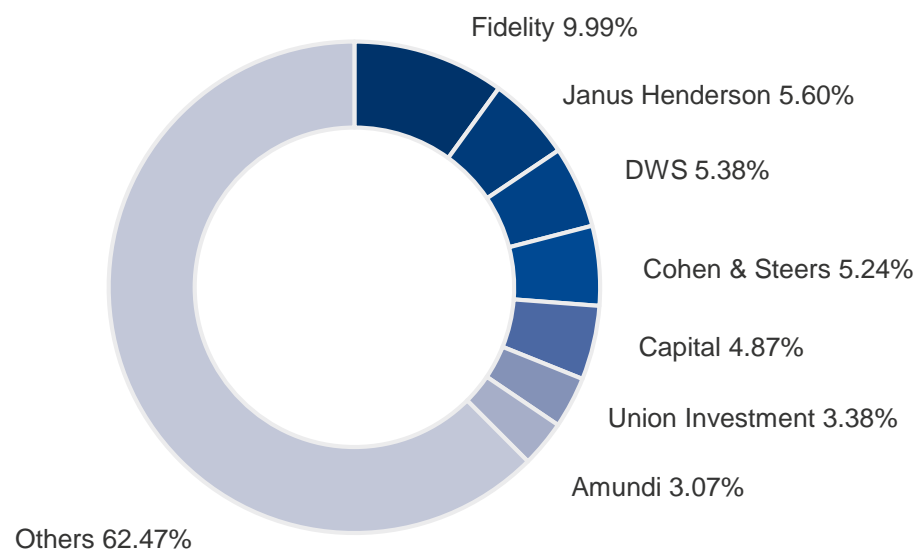
	Projects without need for zoning processes		Projects with zoning processes
	Masterplan in place	No requirement due to §34 BauGB (building code)	Brownfield projects
	<ul style="list-style-type: none"> Generally less attractive for INS due to higher competition 	<ul style="list-style-type: none"> Within built-up districts Insertion rule within settlement No precise predefinition of building character (negotiation with municipality) 	<ul style="list-style-type: none"> Close cooperation with municipalities and other stakeholders Development of new city districts Focus on off-market deals Tender processes: Only deals where INS has a special angle
Value potential	⊕	⊕ ⊕	⊕ ⊕ ⊕
Duration	6 month	6 month	Avg. approx. 2 – 3 years

Instone Share

Basic data

- ISIN: DE000A2NBX80
- Ticker symbol: INS
- No of shares: 46,988,336
- Index: SDAX
- Market cap*: €1,268.8m
- Average daily trading volume: €1.9m
- Free float: 100%
- Market segment: Prime Standard, Frankfurt

Shareholder structure (August 2021)



Financial Calendar

2021

August	26	Group Interim Report for the first half of 2021
August	30	Virtual Roadshow, Germany & Switzerland (MM Warburg)
September	01	Virtual Roadshow, UK (Credit Suisse)
September	02	Commerzbank Corporate Conference
September	06	Virtual Roadshow, France (Stifel)
September	13	Virtual Roadshow, US & Canada (Credit Suisse)
September	20	Berenberg and Goldman Sachs 10th German Corporate Conference, virtual
September	22	EPRA ReThink Conference, Brussels
November	18	Quarterly Statement for the first nine months of 2021
November	24	EPRA Corporate Access Day, London

The Instone Management Board

Kruno Crepulja
CEO



- ✓ CEO since 2008 (of Instone's predecessor formart)
- ✓ Comprehensive experience as an engineer, site manager and project developer
- ✓ 17-year career on the management boards of large development companies

Dr. Foruhar Madjlessi
CFO



- ✓ CFO since 2019
- ✓ Recognized capital market expert with extensive expertise in the field of corporate finance
- ✓ 20-year career in investment banking with various management positions at Deutsche Bank and Merrill Lynch

Andreas Gräf
COO



- ✓ COO since 2008 (of Instone's predecessor formart)
- ✓ Established the residential development as a standalone business model at HOCHTIEF
- ✓ Working in the construction and real estate sector for 30 years

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